

Militants, Championing U.K. Miners, Veer Laborites Further Left

By Michael Gerler
Washington Post Service

BLACKPOOL, England — The bitter coal miners' strike seems to have begun transforming British politics in ways that may outlive the seemingly endless dispute.

What is probably, in the long run, the most important indication of this has been on display all week here at the annual congress of the Labor Party. In numerous resolutions, the more militant factions, despite misgivings by some of the party's older and more moderate leaders, have succeeded in driving the party even further to the left of British politics.

They have done so in large measure by using the strike as the most effective and emotional weapon the left has with which to batter the policies of Prime Minister Margaret Thatcher. They have also used the festering nature of the dispute as a backdrop for other issues.

The speaker who stirred the loudest applause was Arthur Scargill, the militant leader of the striking National Union of Mineworkers, who is leading a walkout that next week will enter its eighth month.

In the aftermath of his appearance, the 1,300 delegates overwhelmingly passed resolutions condemning only the British police, not striking miners, for the "unlawful violence" on the picket lines that has made this strike so disturbing for the public. A handful of

the delegates represent about six million trade union members, and the rest local constituencies within the party.

Furthermore, the conference passed a resolution that called for legislation, if the party came to power, to ban the police from playing any role in industrial disputes.

The measures and the mood here provoked the chairman of the police federation, Leslie Curtis, to

NEWS ANALYSIS

claim the party had "indulged in an orgy of police-bashing, vilification and downright dishonesty" that called into question, for the first time, whether the strict political neutrality of the British police could survive a Labor victory.

Thursday, the chief of the police superintendents' association, Stuart Anderson, toned down Mr. Curtis's remarks, reasserting that "we are not in the game of politics" and "owe allegiance to our sovereign and the law." But the anger and tensions clearly remain and will not be easily forgotten.

The congress also took an unprecedented step in passing resolutions that support local metropolitan councils "which are forced to break the law as a result of the Tory government policies." These resolutions, also opposed by the more moderate leadership, were

backed by the Marxist "Militant Tendency," a youth group within Labor.

In effect, the party supported breaking what they view as unjust laws passed by the Conservative government, which has put a limit on local spending and has placed restraints on unions.

Similarly, while the congress chose not to intervene directly in the defense of a High Court order for contempt issued against Mr. Scargill, the union leader was warmly supported for staying at the convention and disregarding what was viewed as a move by a conservative judiciary.

Thus, on Tuesday, the delegates were witness to an extraordinary spectacle. In a rousing keynote address, the party's chairman of one year, Neil Kinnock, felt the need, in a democracy with a centuries-old dedication to law, to remind delegates that it was only through devotion to the democratic and legal process that Labor could regain the power it lost in 1979.

In effect, Mr. Kinnock's speech was an effort to soften the impact of the party's more militant positions, which could alienate voters. Millions of its supporters deserted the party in 1979 and in last year's general election.

Yet more and more, the Labor Party and Mr. Kinnock, both of whom have kept their distance from Mr. Scargill in the past, are either sensing that the miners' strike is becoming a more effective anti-Thatcher weapon or are being forced into this attitude by political circumstance.

Mr. Kinnock and other moderate party officials have begun to drive home the theme that the strike is an outgrowth of "the violence of unemployment, of despair... the violence done to hope and security" by Mrs. Thatcher's economic and industrial policies, which, he claims, are brutalizing many people and undermining democracy.

Mr. Kinnock is a member of the far left wing of his own party on such things as unilateral nuclear disarmament and getting U.S. nuclear weapons out of Britain. But his speech here was a call for moderation concerning the tactics for regaining power. It was an effort, he told The Washington Post later in a brief interview, "to mobilize the majority." But his call may be directed to a Labor Party that no longer exists.

The party "is now, in its soul, a party of the emphatic, determined, near-hard left. Blackpool has revealed more clearly than ever that it is now its natural state, the only one which makes it comfortable." That is the assessment, published Thursday in The Guardian, of Hugo Young, a respected columnist.

The delegates to the annual conference usually are more militant than the party as represented in Parliament. And it is still at least three years before the next election. But, as Mr. Young wrote, "it would save a lot of misunderstandings, and the spilling of much bad blood, if the illusion that there is an old-fashioned Labor Party waiting to be reawakened was finally laid to rest."

WORLD BRIEFS

80 Took Refuge in Prague Mission

BONN (AP) — At least 80 East Germans seeking asylum in the West, including more than 20 children, are inside the closed West German Embassy in Prague while negotiations over what to do with them continue, the West German government said Friday.

A government spokesman, Peter Boenisch, said in Bonn that the East Germans took refuge in the building during the previous 10 days.

He said the embassy was closed Thursday night because both its facilities and personnel had been strained. He added that the building "cannot reopen until the dilemma is resolved." He did not say whether any breakthrough was expected, and he indicated the talks between East Berlin and Bonn would be difficult.

4 Zimbabwe Soldiers Held in Deaths

HARARE, Zimbabwe (WP) — Four soldiers have been arrested and a magistrate has called for an investigation of four senior police officials in an alleged cover-up of civilian deaths during last year's army crackdown against dissidents in the southern Matabeleland region.

The arrests are believed to be among the first of soldiers from the elite Fifth Brigade for action taken during last year's counterinsurgency campaign during which hundreds of civilians reportedly were killed.

The government has repeatedly denied charges that soldiers committed atrocities against civilians during the crackdown. A government panel formed 14 months ago to probe the allegations has yet to produce a finding.

A prosecutor in the city of Bulawayo Thursday night ordered the four soldiers held for two weeks while he determines whether to charge them with murder in the deaths of four persons killed in February 1983, during the height of the anti-dissident campaign. The soldiers were arrested after testimony in a public inquest this week contradicted their account of the deaths.

Strikes Shut Iceland's Ports, Airport

REYKJAVIK (Reuters) — Iceland's ports and international airport closed Friday as striking public-sector workers defied an order by the rightist government to man essential services.

Reports at the state radio, which has been off the air since Monday, said all civil flights from Keflavik Airport were canceled Friday when customs officers, weathermen and ground staff walked off their jobs. Only two planes took off in the morning before the strike grounded more than a dozen flights. But military flights were not affected, the reports said. The airport doubles as a NATO base.

All Icelandic ports were closed in an industrial action by harbor pilots and other workers, leaving U.S. military flights as the only link between Iceland and the outside world. Unions began the stoppages to protest the government's economic policies, which they say have drastically cut living standards. The strike has left Reykjavik without public transport. All schools have been closed since Monday.

Africans and Mitterrand Discuss Chad

PARIS (NYT) — President François Mitterrand discussed Chad here on Friday with four African leaders amid signs that the French-Libyan agreement to withdraw their troops from Chad was being delayed.

Hissène Habré, the president of Chad, was reported to have been upset by the French failure to consult with him in advance of announcing the troop withdrawal agreement. Mr. Mitterrand's meeting with Mr. Habré was being regarded here as part of an effort to assuage his feelings.

After the meeting, a presidential spokesman said that a major topic at the talks was Mr. Habré's refusal to accept observers nominated by Libya to report the withdrawal. He said France wanted the terms of the agreement with Libya to be respected but that there were other possibilities. "If we don't reach agreement with the Chadians on the placing of observers on the ground, there is another hypothesis: the possibility of monitoring directly by the French and Libyans," the spokesman said.

FBI Spying Said to Be Isolated Event

WASHINGTON (NYT) — Present and former officials of the FBI insist that espionage charges against a bureau agent represent an isolated event and not a broader security problem. The agent, Richard W. Miller, was arrested in San Diego Tuesday on charges of conspiring to sell classified documents on U.S. foreign counterintelligence to a female Soviet agent.

"I see no evidence of a breakdown in discipline or moral values," said W. Raymond Wannall, former assistant director in charge of the bureau's intelligence division, on Thursday. "I don't see where this calls for any reorganization or change." Bill Baker, assistant FBI director for congressional and public affairs, said, "While we have not yet completed our damage assessment, we don't believe it will be severe or long-lasting."

"The supervision of agents as currently exists is effective," said Mr. Baker. "However, we will continue to examine our policies, including the polygraph question, which remains under study." For several years bureau officials have debated whether polygraph, or lie-detector, tests should routinely be administered to agents who work in sensitive areas.

UNESCO Chief Assails the Press

PARIS (AP) — The director-general of UNESCO, Amadou Mahtar M'bow, accused the press Friday of systematically criticizing the organization.

He told the executive council of the UN Educational, Scientific and Cultural Organization that reporting about UNESCO "is manipulated and distorted."

Mr. M'bow said a critical report prepared by the U.S. General Accounting Office would be communicated confidentially to members of the Executive Council. The report, which was leaked to the press in the United States, said the organization was poorly managed, with its power concentrated in the hands of the director-general.

Civilians to Try Argentine Ex-Juntas

BUENOS AIRES (AP) — Argentina's highest civilian court, criticizing a military tribunal for excessive delays, has taken over the trials of nine former junta leaders accused in the disappearances and presumed executions of thousands of persons.

The Federal Court of Appeals ruled Thursday night that the Armed Forces Supreme Council was guilty of "unjustified delay" in handling the case. Three days after his inauguration Dec. 10 ended nearly eight years of military rule. President Raúl Alfonsín ordered the Supreme Council to try the nine leaders.

The nine defendants whose cases were removed from the military council's jurisdiction include three former presidents — Jorge R. Videla, Roberto E. Viola and Leopoldo F. Galtieri, all former army commanders. The others are former navy commanders — Emilio Massera, Armando Lambruschini and Jorge Anaya — and former air force chiefs — Orlando Agosti, Omar Graffigna and Basilio Lami Dozo.

Pope Tells Calabria's to Shun Omertà

PAOLA, Italy (UPI) — Pope John Paul II urged residents of the poor southern region of Calabria on Friday to renounce the Mafia's law of silence, or omertà, and break the "tragic chain of vendettas" and organized crime in Italy.

The pope flew from Rome to make a three-day visit, the first by a pope to the region in more than 800 years. Speaking to thousands of local people in Paola, a resort city on the western coast of Calabria, the pope said he prayed for "respect of the human person and help to defeat the plague of kidnappings, the violence and other dark evils" that trouble Italian society today.

"If you have the courage to eliminate omertà that binds so many people in a kind of squalid complicity dictated by fear, then relations between families will improve," the pope said. "The tragic chain of vendettas will be broken."

Alfonsín Is a Peace Prize Candidate

OSLO (Reuters) — Bishop Desmond Tutu, a black South African church leader; Simon Wiesenthal, an Austrian Nazi-hunter; and President Raúl Alfonsín of Argentina were among the 89 candidates nominated for the 1984 Nobel Peace Prize, Nobel committee sources said Friday.

The Norwegian committee of five that selects the laureate will announce its decision Oct. 16. It made its final decision at a meeting this week after choosing four candidates from the original list.

Other politicians among this year's nominees included Prime Minister Indira Gandhi of India. Elie Wiesel, an author who has written about the Nazi extermination of Jews, was also among the candidates.

For the Record

Chile's opposition labor movement called Friday for a 24-hour national strike on Oct. 30 to protest the military government of President Augusto Pinochet.

El Salvador has set March 17 as the tentative date for legislative elections that will test the strength of President José Napoleón Duarte's moderate policies against those of conservatives who now control the National Assembly.

Mintoff Sees Vatican Aides Over Schools

New York Times Service

ROME — Prime Minister Dom Mintoff of Malta has met with Vatican officials in an effort to resolve a struggle between his government and the Roman Catholic Church over religious schools.

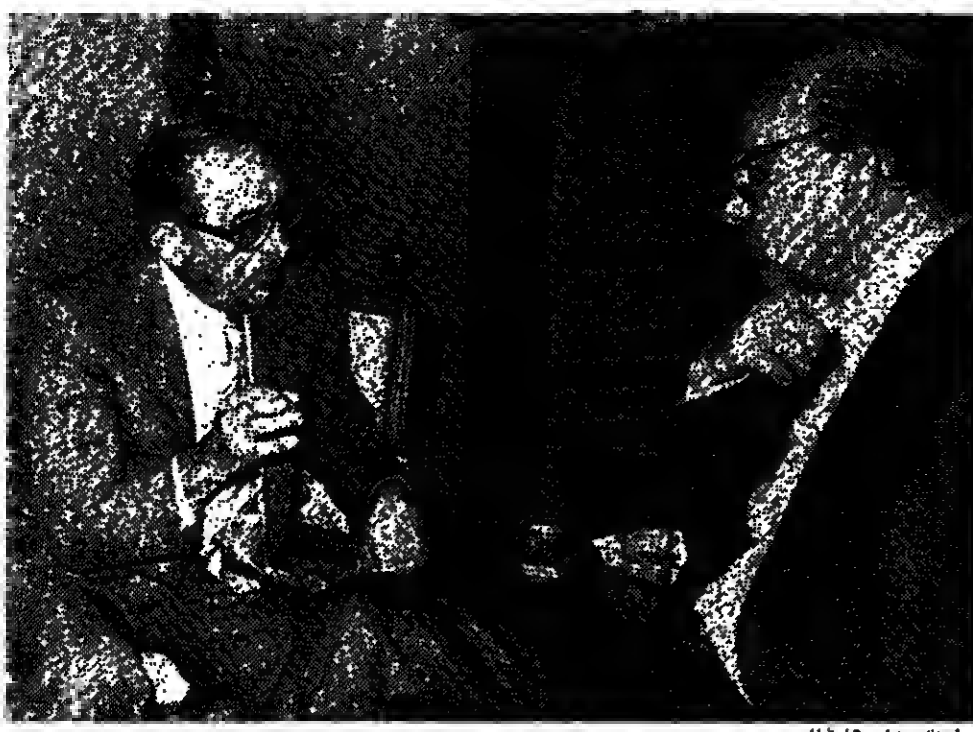
Mr. Mintoff also met later on Thursday with Prime Minister Bettino Craxi of Italy, who has offered to mediate in the dispute. But a statement by Mr. Craxi's office after the meeting did not mention the church conflict.

There was no announcement after the Vatican meetings. Cardinal Agostino Casaroli, the Vatican secretary of state, was among those who attended.

[Mr. Mintoff left Rome for Malta Friday without making any comment on his talks with Vatican officials. United Press International reported.]

The 72 Catholic schools in Malta, which were scheduled to open this week, remained closed to protest a government measure requiring eight Catholic secondary schools to provide free education.

The church says it is an attempt to repress Catholic schools. Church leaders say the schools could not survive without tuition charges.



Prime Minister Bettino Craxi of Italy, right, meeting with Prime Minister Dom Mintoff of Malta. Mr. Craxi has offered to mediate in the dispute on Malta over Catholic schools.

The dispute became violent last Friday when the offices of Archbishop Joseph Mercieca of Malta were ransacked.

The Vatican, including Pope John Paul II, has given strong support to the Maltese church.

Officials in Rome had said that Mr. Mintoff might try to win agreement on a broad concordat that would cover not only the schools but also church-owned land in Malta and other issues. According to this line of thinking, he might be

willing to abandon his stand on the education issue in order to win concessions from the church.

The fight over the schools has been bitter in Malta, where about 90 percent of the population is Catholic.

Honecker Defends Ties In West but Decries Unity

Reuters

MOSCOW — Erich Honecker, the East German communist Party leader, defended his country's ties with West Germany in an article in Pravda on Friday but said the two German states could never be united.

"Two German states exist and two they will remain," he said.

Mr. Honecker was writing in the Soviet Communist Party daily to mark the 35th anniversary of the foundation of the East German state.

The long article concentrated on the development of the East German economy within Comecon, the Eastern European trading group, and it contained pledges of loyalty to Moscow.

Western European diplomats regarded the article as aimed at showing that Soviet-East German relations were again normal after the strain over Moscow's efforts to discourage a growing dialogue between East Berlin and Bonn.

Two months ago Pravda led attacks on West Germany that were widely seen as a sign of the Kremlin's unease over East Berlin's growing links with Bonn, and last

month Mr. Honecker canceled a planned trip to West Germany.

Diplomats said Mr. Honecker's emphasis on East Germany's trade links with Moscow and its role in Comecon appeared to be aimed at countering Soviet concern over East German efforts to cultivate closer economic ties with the West.

Discussing his policy toward West Germany, Mr. Honecker said relations "can be built and serve peace only on the basis of coexistence" between opposing political systems.

"It is a question of two sovereign equal states which do not depend on each other and which manage their domestic and foreign affairs themselves," he said. "In this question we do not allow any concessions and shall not allow them in future, either."

Mr. Honecker said that joining East Germany and its communist system with West Germany, a capitalist state, would be like combining fire with ice.

"The talks about the alleged existence of a German Reich within the borders of 1937... the talk about an 'open German question' by prominent politicians" in West Germany, "all directly run counter to the records reached in Helsinki and to the system of European treaties," he wrote.

He said West German leaders bore heavy responsibility for accepting U.S. missiles on their territory.

Shultz Meets East German

The chief diplomats of the United States and East Germany met Thursday in Washington for the first time in six years for a discussion described by the State Department as "warm and cordial" and possibly the opening round of a more extensive dialogue. The Washington Post reported.

Secretary of State George P. Shultz said later the session with Oskar Fischer, the East German foreign minister, was "a positive meeting." But he added a caution to the unusually cordial official U.S. description by saying, "I don't have my hat in the air or anything."

Africa Leader Pleads Case of Third World

By James Feron

NEW YORK TIMES SERVICE
UNITED NATIONS, New York — The leader of Bourkina Fasso, formerly Upper Volta, has told the General Assembly that, although his country was part of what has been "maliciously baptized" as the Third World, "we won't be the world left behind by the West."

In a fiery speech on Thursday, the leader of the West African nation, Captain Thomas Sankara, called on developing countries to maintain the struggle against foreign domination.

At the same time, he denounced "development specialists in the Third World who are sending us back to the world of slavery."

Captain Sankara said very few countries "have been as inundated with aid as mine has been," but "look at the wretchedness we inherited."

He chided countrymen who "attended European universities but brought back only their diplomas." Captain Sankara, who is president of the ruling National Revolutionary Council, said Bourkina Fasso had experienced all the problems of the Third World.

"We have seven million inhabitants, of whom six million are peasants," he said. "Our infant mortality rate is 180 per 1,000. We have one doctor per 50,000 people and a gross per capita income of \$100."

Captain Sankara, a 34-year-old paratrooper, said his country was learning to live simply as it managed its austerity. He called for a "new system of international economic relations," with developing nations granted a decision-making role in such international bodies.

Bourkina Fasso, he explained later at a news conference, means land of dignified men, and he added with a smile, "You can call it Bourkina for short." The name was changed in early August, a year after leftist military officers with close ties to Libya came to power.



President Suharto of Indonesia inspects troops on the 39th anniversary of the armed forces.

Suharto Rejects Military Dictatorship

The Associated Press

JAKARTA — President Suharto pledged Friday that the Indonesian armed forces never would become a military dictatorship.

At a ceremony marking the 39th anniversary of the armed forces, President Suharto said the Indonesian ideology of *pancasila* (five principles) — belief in God, humanity, nationalism, democracy and social justice — "constitutes a guarantee that we will not degenerate toward the direction of militarism or military dictatorship."

President Suharto has given such assurances several times this year to counter charges by critics of heavy-handed army leadership.

The latest criticism followed the army's action to put down a riot in northern Jakarta three weeks ago. At least 18 persons were killed and more than 50 injured. Unofficial reports said 28 persons were killed and more than 50 injured.

The rioting followed the arrest of four Moslem youths charged with beating up a security officer and setting fire to his motorcycle.

Bomb explosions at two banks and a shopping center in Jakarta's Chinatown last Thursday killed two persons and injured 16.

Marcos Warns Pizzazz Is Winning the Day

(Continued from Page 1)

stop "a saturnalism of sadism and violence" by security forces. Cardinal Sin on Tuesday urged Filipino businessmen and professionals to "join the parliament of the streets" and demonstrate peacefully "for an end to the violence and the authoritarianism of the dictatorship."

Mr. Marcos asserted Friday that "the parliament of the streets has always been violent."

"When you encourage participation in the parliament of the streets," he said, "you encourage violence."

Delay of Aquino Report

A member of the commission investigating Mr. Aquino's murder said Friday it had concluded that the military conspired in the killing. Reuters reported from Manila.

But he said the panel's report had been delayed because of major differences over whether there was sufficient evidence to implicate the chief of the armed forces, General Fabian Ver.

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Pizzazz Is Winning the Day

(Continued from Page 1)

In Corpus Christi, Mr. Reagan said: "My opponent has made an enormous tax increase his first option, the centerpiece of his campaign. Well, I think he's a little confused. Doesn't he know you don't want greater taxes? You want a greater Texas?"

Not only did the crowd laugh, but the comment was also used in news broadcasts on several Texas television stations.

Mr. Mondale's speeches are often somber, with the Democratic candidate saying candidly that he is waging an uphill battle. Mr. Reagan's speeches are crammed with jokes and some self-deprecating humor.

In Brownsville, Texas, Mr. Reagan said with a grin: "I'm going to be ashamed of myself in a second for what I'm going to say but I understand they did borrow their campaign song from your state. It's called, 'Deep in the Heart of Texas.'"

The crowd laughed. "Isn't that awful?" Mr. Reagan said, laughing himself.

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ARTS / LEISURE

Furniture of the '50s: An Era Without a Label or an Overview

International Herald Tribune

PARIS — Just where can the limit be drawn between "our time" and the past?

In the past 12 months attempts have been made by auction houses to promote the entire range of decorative art produced in the 1950s. Observers who were watching the market in the late 1960s are familiar with the process. In those days, the art of the '50s, packaged under the label Art Déco, acquired the

status of collectible antiques. It took about five years. The final consecration was given at Drouot

SOURIN MELIKIAN

in 1972, when the furniture and objets d'art commissioned in the 20s by the couturier Jacques Doucet were auctioned by Lucien Soanet with the assistance of the expert Félix Marcellin. The Metropolitan Museum of Art in

New York acquired a stool by Pierre Legrain, and people with avant-garde taste from the United States and Europe competed for the finest items.

Things might be harder with the art of the '50s. A label has yet to be found: There was no event like the memorable international Exposition des Arts Décoratifs organized in 1925 by the Paris Musée des Arts Décoratifs from which the name Art Déco is derived.

Moreover, art of the '50s was

created at a time when a rift existed between the work of great designers and mass production. Documentation on the great designers, scattered all over the world, has yet to be sorted out. For the moment, very few have a bird's-eye view of the period.

It is too soon to tell the difference between what was a passing extravagance and a bold, lasting creation. There is the beginning of a consensus among Art Déco experts and private buyers that the

Italian Carlo Molino was a major contributor to Italian furniture design around 1950. But it is rare to hear concerning views as to what a great piece by Molino is as opposed to a minor one.

The trickiest problem concerns the definition of authenticity. Designers took no part in the production of their furniture. Sotheby's may be right in claiming that a pair of chairs "by Carlo Molino, 1948" with upholstered seats and backs and bent legs painted black, is of the period on the strength of a photograph of the model published in a 1948 issue of Domus. But if the chairs to be sold in Montecarlo on Sunday should go up to 60,000 to 80,000 francs (\$6,400 to \$8,600), the estimate in the catalog, there is little doubt that similar chairs would surface in future sales. Reproducing such models is child's play and many companies hold copyrights for models devised by their designers in the '50s.

No wonder that so far the furniture of the '50s has been selling in the auction room with varying success. Past sales have largely consisted of pieces sent in by dealers setting high reserves and requesting auctioneers to quote "estimates" that reflect their wishes rather than reality. This has led to a high buy-in rate, and it is impossible to tell how much furniture of the '50s stands a real chance of taking off.

A different case is provided by glassware from Italy, where the traditional technique of blowing was used. Some of the sophisticated pieces designed by artists such as Fulvio Bianconi for the old Venini firm established at Murano, outside Venice, are difficult to imitate.

The first sale with a significant amount of high quality designer glass was staged at Drouot in December 1983 by Axel de Heeckeren with the assistance of Marcellin. It was not a great success. Perhaps the finest piece of all, a squat bottle of irregular shape in shades of deep green and aubergine signed by Bianconi and dated 1949 failed to sell at 15,000 francs.

In May, two more auctions took place within four days, one organized at Versailles by the Perrin-Royère-Lajeunesse group, the other

at Drouot by de Heeckeren, with Marcellin the expert in both cases. At these glass sold better. In Versailles, a brownish cylindrical beaker with a cracked ivory band inscribed "Venini Murano" was knocked down at 11,500 francs. In Paris a vase of smoky blue and puce hue by Flavio Poli went to 33,000 francs. While the record was greatly improved, some pieces were nevertheless bought in.

This week at Drouot, Christiane Pescheteau-Badin conducted an unusual sale assisted by the expert Jean Pierre Camard. For the first time a quantity of glassware of the 1950s was sent in for auction not as an attempt to sound the market but with the genuine intention of selling — the 90 pieces reportedly came from the stock of a Paris interior decorator who had bought them directly from their Italian manufacturers in the 1950s.

Prices varied erratically. Among the less ambitious wares, little difference was made between hangovers of an earlier period and the pieces reflecting the spirit of the fifties. A large dish of ruby red hue, its flat base and broad everted rim designed by Flavio Poli for the Seguso workshop continued the tradition of the 1930s. It was knocked down at 1,500 francs, while a thoroughly modern vase with round body, flattened sides and broad short neck in turquoise, natural glass and cobalt blue in vertical bands went up to 1,800 francs.

The most interesting object by far, a tall flask rising from a square base with rounded shoulders and short cylindrical neck, was decorated with an abstract pattern of rounded squares reminding one of Roger Bissière and Mark Tobey. The leading Paris connoisseur and dealer in glass of the '50s, Clara Serey, paid 13,000 francs for it, about half what it is now worth on the North Italian market.

Tuesday's sale can be considered the first real test in the field, with no dealer in the background running up his wares. It confirms the existence of a strong potential demand from genuine collectors, mostly from the younger generation at half the financial level at which auction rooms would like to see it stabilize.

DOONESBURY



Armando Morales: A Sandinist Painter-Diplomat

By John G. H. Oakes

International Herald Tribune

PARIS — A Nicaraguan representative to UNESCO stood with his nose practically touching the paint of a large work he was finishing.

"You have to get close to the painting, to feel the physical presence of the paint," explained Armando Morales, painter and, at least nominally, a diplomat. A confirmed Sandinista — "I am a Sandinista in my heart, even if I am not officially registered as a member of the party" — Morales is achieving more recognition as a painter, as evidenced by his forthcoming one-man show at this fall's FIAC art fair at the Grand Palais Oct. 20-28, where he will represent the Galerie Claude Bernard.

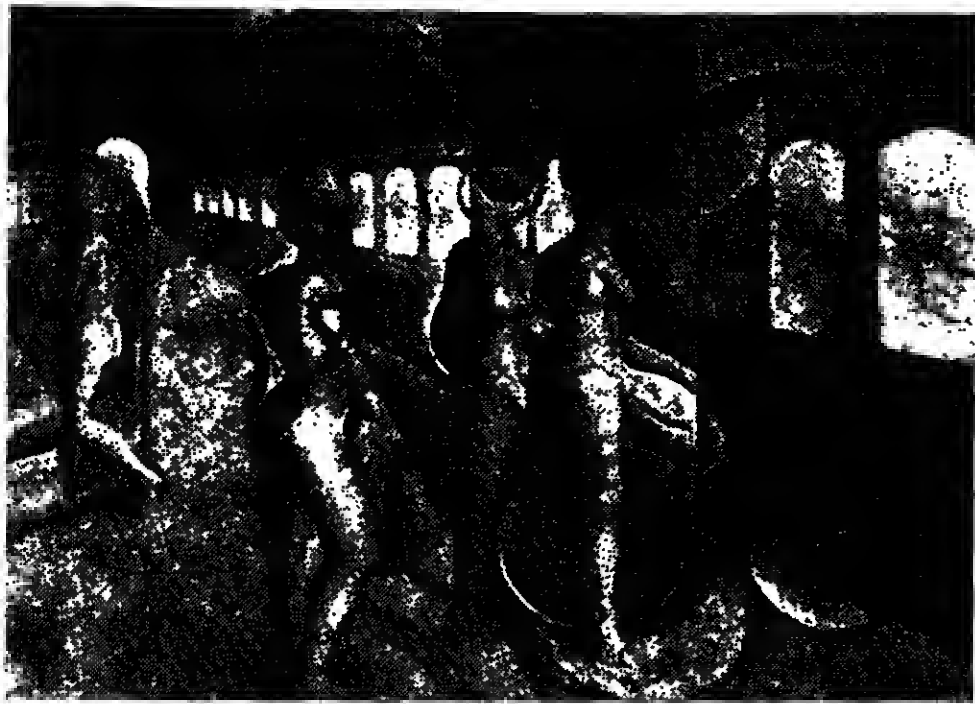
Alongside his largely symbolic role as a representative to the United Nations Educational, Scientific and Cultural Organization, Morales, 57, fills in for the ambassador when he is absent, but confesses to have little interest in diplomatic affairs.

His concern for Nicaragua, past and present, frequently makes its way into his art. In the 1960s, he did a series of 13 "guerrilleros muertos" (dead guerrillas) in the struggle to overthrow the dictatorship of Anastasio Somoza. Now, he has started drawing on "themes from the saga of the Nicaraguan revolution."

"For an artist, it provides a rich code of events," Morales said. "And for me, it's very important to make a public statement, to try to do something for Nicaragua, without being dogmatic about it."

One painting in this category is "Les Demoiselles de Puerto Cabezas," a large work portraying a legendary event in Nicaraguan history. Although the title is an obvious parody of Picasso's 1906 work "Les Femmes d'Alger," the patriotic motive behind the painting is sincere.

In 1926, a small shipment of rifles to arm men following San-



"Despedida" (Farewell), done by Armando Morales in 1983.

dino arrived in Puerto Cabezas, Morales recounted. The U.S. Navy intervened, insisting the weapons be dumped in the bay. Later, Sandino arrived, and persuaded the prostitutes — "I don't know why he had to go to the prostitutes, but that's the legend — of the town to help him retrieve the rifles at low tide."

The Morales version of the story is done in rich yellows and browns. A hand holds a blazing torch over the bent backs of the women stooping to pick up rifles. Typically of Morales's work, faces are hard to make out and the scene is veiled in darkness, giving the picture a romantic, mythic tone.

In the same vein is a group portrait of Sandino and a half dozen of his men, reminiscent of a 19th-century photograph of outlaws in the American West. In the center of the picture, Sandino, short and powerful, looks directly at the viewer. His face is partially obscured by a wide-brimmed hat. A shocking pink background — "borrowed from an ice-cream parlor I remember as a child" — adds to the drama of the painting.

The scene is taken directly from Morales's childhood. "Some time in 1934, Sandino had come into

Managua to negotiate with the government. A local shirt company asked him and a few of his men to pose for a photograph, wearing the company's shirt. This was directly across the street from my father's hardware store. My father called me to come look at the guerrillas, and I looked out and saw them posing for the photograph."

Some time afterward — "it might even have been the same afternoon, since he was killed in 1934" — Sandino was shot in the street by police forces led by Somoza, the future dictator of the country.

Morales cites Goya and Picasso, both of whom were known as being politically concerned, when asked to name artists he admires. But Morales also names Giorgio de Chirico, the leading proponent of "metaphysical" painting, as a strong influence.

That influence is clear in the numerous paintings that show no evident political leaning. In these surreal works, dark, half-observed figures confront each other in the shadows of railway stations and mysterious buildings.

Morales plays with and blends perspective as he does colors. "I have always had a certain perverse

satisfaction in creating a space and then canceling it" by means of a contradicting plane, he said. "I like twisting reality."

An abstract painter for many years, Morales later turned to figurative art, retaining the strict control over his materials that he had learned through his abstract work.

But for the moment — although he first sketches a painting, photographs the sketch and places a grid over the rearranged photograph to the sketch before he starts work on a final version — that absolute control eludes him. Perhaps, he admitted, he tries too hard. In "Les Demoiselles," he has let himself become more wild and less controlled than ever before, closer to Goya than to Picasso.

Once Morales has completed a painting, it loses much of its attraction for him. It is a beautiful corpse, nothing more. "It's signed and finished and dead. For me, the interest in my work is not only painting by painting, but inch by inch of each painting."

Some artists can't handle success, but Morales seems to dread it. "To see one painting in an exhibition is bad enough, and to have 20 paintings, 30 paintings in a room is ridiculous."

Trudeau's Lyrics and Cast Enliven 'Rap Master Ronnie'

By Frank Rich

New York Times Service

NEW YORK — If Ronald Reagan prayed that one of his wildest critics, Garry Trudeau, was going to sit out the election campaign, those hopes have been dashed.

Trudeau has returned from a sabbatical to bring "Doonesbury" back to the funny pages and to help launch "Rap Master Ronnie," a "parisian revue" at the Top of the Gate theater. A collaboration between Trudeau and the composer

Elizabeth Swados, "Rap Master Ronnie" consists of 16 songs that attack the administration with a vengeance.

The show, which runs about an hour, is a less ambitious project than the Trudeau-Swados venture of last season, the Broadway musical version of "Doonesbury." The strengths of "Rap Master Ronnie," however, are exactly those of its predecessor: Trudeau's ingenious lyrics, the bristling wisecracks and a sparkling cast.

This time those assets are liberated from the burden of a funny book, but they still must contend with Swados's sometimes jolly but more often bland pastiche music.

The evening starts on a high note with the title song. In a campaign commercial, the president pleads for minority votes by rapping. "I have an open mind on civil rights. My youngest son grew up in 'tights." This is soon followed by a cowboy serenade in which White House aides describe their boss's work habits — "From 9 to 12 he's working like a dog."

Trudeau's Reagan — impersonated with facial ticks and goading voice by Keith Beun — is indeed a "great communicator," even if he must always be used by index cards or his first lady. At one point he likens security failures in Beirut not only to delays in remodeling a kitchen but to the redecoration of the White House: "The plumbers kept Nancy waiting twice!"

But "Rap Master Ronnie" doesn't merely mock the president's style, "evil empire" rhetoric and factual misstatements. Trudeau and Swados wish to make a statement of how, in their view, the administration's policies have corroded the nation. This is an ambitious task and the writing is not always up to it.

Though the lesser material buckles the revue's second half, Cayman's Patten's staging and cast remain sprightly. Catherine Cox is amusing as a docile wife asking, "Must I have it all?" She also does a good-natured Nancy Reagan impersonation. Ernestine Jackson and Mel Johnson Jr. dance stylishly to a wicked calypso ditty about Grenada.

By Rona Dobson

International Herald Tribune

BRUSSELS — Brussels is about to step into the 20th century in the art world. The Museum of Modern Art has reached completion, give or take a few trailing wires, misplaced sculptures, muddy patches on the carpeting and flickers in the spotlights, all of which should disappear in time for its inauguration by King Baudouin and Queen Fabiola Oct. 25.

Phil Merten, the curator of modern art, has tramped many kilometers to cover her domain and keep a keen eye on the transformation from building site to hall of culture. "I even sleep here," she said. "There's still so much to do."

Work began in 1978, and passers-by have watched the upheavals over the years, wondering what was going on. They still wonder, since little is visible at surface level. Most of the museum is underground, burrowing eight levels into the earth in the courtyard of the Old Masters Museum, where a handy hole already existed.

For the sake of economy, the architect, Roger Bastin, was asked to discard his plans for a museum that would rise three stories above ground, harmonizing with the 18th-century surroundings, and instead to plunge the whole structure below ground.

Bulldozers moved in to enlarge the hole, houses fringing the courtyard and street beyond were gutted to leave only facades awaiting new interiors for integration with the underground museum as entrances, exhibition areas and offices.

As the project moved toward completion, several of the disemboweled houses, hard fought for by environmentalists and reluctantly accepted for rehabilitation by the Ministry of Works, fell down, conveniently clearing a scenic gap looking out to the museum site from the steeply curving street alongside.

The architect has managed to protect his building from claustrophobia, despite its downward spiral into the earth, by inserting a sweeping semicircle of glass panels from ground level to the fourth floor, and this inset provides both a visible link with the outside and a fan

of daylight for the works within. Closing the glass well is a straight, deep wall built with blue-toned granite from the valley of the Meuse in Belgium. Within this enclosure a courtyard paved in the same blue-tinted stone contains an ornamental pool and fountain. A few of Niki de Saint Phalle's floating Nanas would add a genial touch, but funds are unlikely to run to such frivolous extras.

"That's our next battle, trying for a bigger budget to buy new art now that we have a place to put it," Merten said.

Inside the museum at entrance level, cool, pale marble prevails to provide a foil for the modern sculpture disposed about the halls; a white marble staircase leads down to the depths below.

The main entrance is through a handsome old house fronting on the Place Royale, a wide square that forms the core of the elegant 18th-century "Austrian Quarter," designed by Charles of Lorraine, Belgium's governor under Empress Maria Theresa. During construction, this facade too remained propped in place while its interior was scooped out and rebuilt; the front wall with nothing behind it, blank windows reflecting sky and clouds, empty doorways leading nowhere, offered a touch of Belgian surrealism that would have delighted René Magritte.

Work within this modern Palace of the Future ranges from James Ensor to today's hopefuls, through Flemish Expressionism, Brautast, Futurism, Surrealism and the astonishing array of Constructivist paintings and sculpture bearing witness to Belgian artists' advanced outlook in art through the 1920s and '30s.

Contemporary art has been grouped way down on the eighth level, but roomy elevators, built to transport art works as well as visitors, serve all floors. Nearly 1,000 of the 3,000 art works in the state collection have emerged from storage to dock the walls and enliven the halls. But it isn't an overly chauvinist display; art from other countries is given space.

The most dramatic among the foreign works are one series of the Saul Steinberg panels designed for the U.S. Pavilion at the Brussels World Fair in 1958, all of which remained in Belgium after the fair closed. Steinberg had crossed the Atlantic at the time to install the panels and to work on them on the spot, producing eight series composed of separate segments of enormous floor-to-ceiling frescoes depicting "The Americans"; laid out to end, they would stretch for 84 meters (275 feet). Placed as murals, even in the imposing ground level hall of the new museum, they caused a headache or two for Pierre Baudouin, in charge of graphic art and sculpture.

"We've set up only one series, called 'California,' with 24 panels," he said. "It wasn't too easy to fit them in though we thought we had space for anything now." The others will remain in storage. Steinberg turned 70 on June 15 and the museum staff hopes he might celebrate his birthday by attending the opening.

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SOUTH KOREA

A SPECIAL ECONOMIC REPORT

OCTOBER 6-7, 1984

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Chun's Japan Visit: Diplomatic Victory After the Setbacks

THE FIRST state visit by a Korean head of state to Japan in September was more than just a diplomatic victory for President Chun Doo Hwan and his host, Prime Minister Yasuhiro Nakasone.

It was also an important step in recovering the international political offensive for a country that only a year ago sustained two serious and successive blows to national morale: the downing of a Korean Air Lines 747 by the Soviet Union on September 1, 1983, and the assassination attempt by North Koreans on October 9 in Rangoon against members of the South Korean cabinet.

For President Chun, widespread international support for this "second rapprochement" between Japan and Korea, (the two countries normalized relations only in 1965) strengthened his military-backed government's claim to legitimacy.

Following the assassination of President Park Chung-hee in 1979, Mr. Chun's nearly circumvented the political factions squabbling among themselves to stage a military coup and assume the presidency.

Now under his own electoral reforms, his constitutionally prescribed once-only term is scheduled to end in 1988, shortly before the Olympic Games are held in Seoul.

Until recently, rivals within the opposition have mostly bickered over and attacked President Chun's right to leadership. It is a sign of some success for the president in guiding the country safely through the international recession as well as recent political crises that now these same opposition leaders have formed a coalition — the Council for the Promotion of Democracy. There have been suggestions that this new council would discuss with President Chun the gradual process of democratization that he claims is planned for the country.

Although authoritarian controls in South Korea remain in place, Mr. Chun has over the past year eased the political climate a little by allowing more than 1,300 students to return to their campuses and by removing all but 99 politicians from the government's blacklist. Even South Korea's most famous political exile, Kim Dae Jung, said recently that he plans to return to South Korea before the end of the year to resume political life and work for democracy.

Observers say that Mr. Chun's efforts to restore some controlled political activity to the country is not only piecemeal — it is also partial. His critics say he is still filtering out politicians who do not agree that threats from North Korea are a good reason for South Korea to forgo some of its democratic institutions.

Traditionally, the division of the country and its state of military alertness against the Communist North has dominated public life.

The capital city, Seoul, is only 35 miles from the heavily guarded border with the North. The sonic booms of air force jets run regularly punctuate the business day. The general atmosphere of society is enhanced by a stolid North Asian architectural style and a culture so Confucian and conservative that businessmen polish only two fingertips on each hand, which can be quickly hidden in the palm in case a male colleague may take offense.

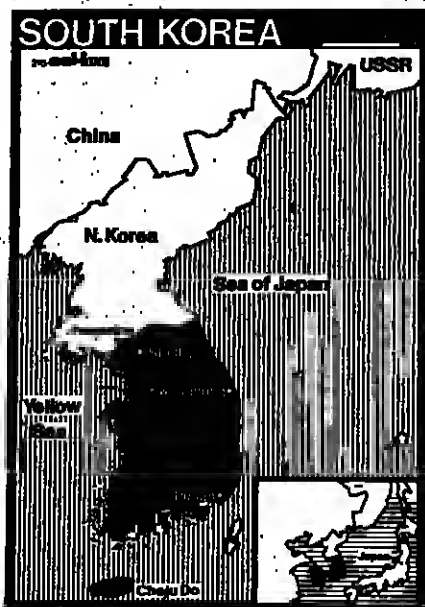
On a secluded hill in the middle of the city, stands the National Unification Board, set up to liaise with the North Koreans if talks for reunification of the country are ever resumed. Contacts between the two sides have been made in fits and starts, breaking down most recently after

(Continued on Next Page)



An electronics factory in South Korea.

BASIC DATA



AREA: 98,992 square kilometers (38,221 square miles).

POPULATION (November 1, 1980): 37,449,000. Major cities: Seoul, the capital (8,367,756); Pusan (3,160,276); Taegu (1,607,458); Incheon (1,084,730).

INDUSTRY AND TRADE: Since 1962 a series of five-year plans has resulted in real economic growth averaging 10 percent a year until 1979. In 1980 the annual per-capita gross national product was \$1,522. Imports in 1980: \$22.160 billion; exports in 1980: \$17.505 billion.

TOURISM: In 1981, there were 1,093,214 tourists, who spent the equivalent of \$447.64 million.

CURRENCY: Notes are issued by the Bank of Korea in denominations of 10,000, 5,000 and 500 won, and coins in denominations of 500, 100, 50, 10, 5 and 1 won. \$1 = 810 won.

Export-Led Economy Moves to World Stage

By Dinah Lee

SOUTH KOREA'S reputation for high productivity takes on new meaning when business contacts are available for appointments from 8:30 in the morning to well after 6 o'clock at night.

The government of President Chun Doo Hwan is confident that this prodigious work ethic will continue, fueled by a national sense of Confucian duty, as the export-led economy ascends out of heavy industry and into higher value-added exports.

Apparently, this confidence is shared by international bankers. Korea now ranks fourth in the list of world borrowers — after Argentina, Brazil and Mexico — but South Koreans thoroughly resent any comparisons in terms of credit ratings with its Latin peers.

The chairman of the Daewoo group of companies, Kim Woo-Chong, defends his own company's high level of borrowing. He said that the Daewoo group needs \$200 million a year for new investments. Export sales of Daewoo Corp., the group's trading house, is expected to reach \$3 billion this year. "We are borrowing according to our capacity," he said. "We get first-class bank guarantees and our debt is offset."

South Korea has now completed one year of its revised 1982-1986 five-year economic plan, announced late last year. While maintaining a goal of 7.5 percent annual real growth, the revised plan envisages less dependence on foreign borrowing for the five-year period, from an original estimate of \$64.5 billion down to \$47.4 billion by 1986.

The new plan also outlines the decrease in the economy's dependence on foreign trade, lowering the projection for domestic merchandise exports from \$53 billion to \$53.7 billion by 1986. This is because planners of the revised program, among them the late presidential adviser on economic affairs, Kim Joo-ik, who was killed in the Rangoon bombing of 17 cabinet members, feared the effects of growing protectionism and the possibility of continuing recession in important markets and they decided that the expansion of the domestic market should replace exports as the engine of growth in coming years.

Although the threat of recession in markets like the United States has subsided somewhat in 1984, the Koreans' long-term priorities remain the same.

The country is, therefore, aiming for fundamental and difficult changes in the economic structure over the next two years. Since his ascension to power through a military coup in early 1980, President Chun has revived gross national product from its low in 1980 of a contraction in growth by 6.2 percent to last year's more impressive 9.3 percent. However, South Korea's rapid growth has been costly in an important sense.

The imbalance of the economy's sectors and distribution of economic power is now acute.

In the early 1970s, the government encouraged the development of heavy industry, including a native defense industry, through large foreign borrowings and the allocation of credit and resources to preferred companies concentrating on certain exporting industries. The government's sponsorship of heavy manufacturing moved the country out of its agricultural and textile phase into shipbuilding, machinery, steel and coal, electronics and construction.

The most rapidly growing sectors have all been in these areas. Korea is now second only to Japan in its share of world production of ships and is among the world's top 10 producers of electrical goods. Exports of Korean cars began in the late 1970s.

But not all of Korea's economists see this as untarnished success. The director general of the Bureau of Economic Planning in the Informational Economic Planning Board, Kim Dai-Young, said: "Inflation has distorted our economy because it not only weakened our price competitiveness, but protectionism of our economy as well as inflation guaranteed domestic profits but made us lazy in the 1970s. Also our timing with heavy industry was bad. By the time we had finished building our manufacturing capacity, there was no market because of world recession. We were inefficient because we had no proper technology to support ourselves."

In this setting, a few companies concentrating on the target industries grew fat, resulting in unhealthy centralization and the domination by about 50 business groups of the entire national economy. About half a dozen of these conglomerates, known as *chaebols*, call most of the shots — monopolizing available credit and controlling domestic business. The names Daewoo, Hyundai, Samsung, Lucky Gold Star, Kookje, Ssangyong, Daewoo and Dong Ah are more than just companies in Korea. To South Koreans, these *chaebols* are like enormous families with a finger in every aspect of economic life in the country.

The president's revised five-year plan promises liberalization of the domestic market to overseas competition, and a further liberalization of the financial sector. Commercial banks have already been completely de-nationalized. The government is now working to toughen monetary policy with more capital directed to small and medium-sized companies and the raising of interest rates. An official at the Bank of Korea said: "If we raise interest rates then the financial situation of some large corporations would be worsened. We are very cautious as we consider if the interest rates should be liberalized or not. We first

(Continued on Next Page)

Liberalization of Financial System Will Open the Economy to More Competition

By Laxmi Nakarmi

IN A NEW BID to open up the economy, the South Korean government is taking steps to liberalize the tightly controlled and restricted financial market. Along with this move came an opportunity for both local and foreign banks to compete in one of the world's fastest growing economies.

Two important aspects of this policy of liberalization are the institution of a mature autonomous system of management for domestic banks and gradual easing of all discriminatory restrictions imposed on foreign banks. The non-bank finance sector is being developed with the gradual opening of the stock market to foreign investors. Interest rates, which are still controlled by the government, are next on the list of liberalization policies.

One fundamental change in the new "liberalized market" is likely to be the introduction of an element of competition. During Korea's fast development, demand always outran the supply of funds. Instead of active marketing, domestic banks were content with their regular business, effectively precluding any innovative approach or even the normally mandatory credit analysis of borrower. The foreign banks, restricted to operating within a narrow range of business, were active in dealing mainly with a few large corporate groups, or *chaebols*. In the process, small and medium-sized companies found any source of funds effectively shut. The result was that the banking market grew in size but not in quality.

The lack of quality was apparent in the news

of bank frauds and embezzlement that appeared in the newspapers almost daily. Three large-scale frauds involving leading city banks and hundreds of millions of dollars and dozens of other petty embezzlements brought major institutional weaknesses of the country's banking sector to light. Economists at the Korea Development Institute (KDI), a government-funded but autonomous think tank, officials at the Ministry of Finance and bankers all agree that the weaknesses stemmed from government intervention in the banking industry during the 1960s and 1970s.

In a study, the Ministry of Finance listed several other factors contributing to the poor shape of the industry: excess demand for loans, banking technology that is lagging behind the pace of the country's economic development, insufficient supervisory mechanism, low staff morale and higher inflationary expectations.

Under the present liberalization policy, the government has taken several steps to strengthen the banking industry. Choi Chang-Nak, the American-educated governor of the Bank of Korea, recently said in a magazine interview that shortening of the transition to the autonomous system of management is the only way to improve the banking system. The government, which had majority shares in all five city banks, transferred its interest to private shareholders. But this transition lacked substance. Mr. Choi said that institutional devices are needed to prevent the monopolization of bank financing by a minority in light of the fact that major shareholders in the banks are mostly large borrowers.

There is a legal provision to reduce the majority shareholders' influence in the management but there is a bank supervisory agency whose full-time job is just to keep an eye on the management of banks. This has led to regular intervention by the government in the management of the banks. The recent example: the government instructed all banks to freeze all lending to big corporate groups.

Economists like Kim Jung-Ung of KDI agree with foreign bankers that interest liberalization is crucial to the Korean economy. But nobody wants a sudden and shocking announcement on the decontrol of interest rates. Lee Hyung-Koo, the assistant minister of finance, said that the liberalization steps will be taken on a gradual basis, stretching the schedule beyond 1988, something of a target base in Korea due to the Olympic Games to be held in Seoul that year. As a step in this direction, the government allowed banks to quote their own rate between a narrow band of 10 and 10.5 percent in January this year. Furthermore, the ministry also allowed banks to quote a fee rate anywhere below a fixed maximum rate. All these ceilings will eventually disappear, setting the interest rate free. (This is an often quoted official line. The question to be asked is when.)

The liberalization process also affects the foreign banks. After a combination of persuasion and complaints, the Ministry of Finance finally relaxed all "discriminatory" restrictions imposed on foreign banks. A broad policy measure announced in April this year promised gradual removal of all barriers hitherto imposed. The foreign banks will receive a "true

national treatment." According to the ministry, the new policy clears the way for participation by foreign banks in a Korean clearing house and a national association of banks. "This," said a ministry statement noted, "will put them [foreign banks] in a position to protect themselves from any discrimination."

Foreign banks were more interested in the central bank's rediscout window for export financing, which will be partly available in 1985, and from 1986 they will be treated the same as domestic banks. Another point of contention between the ministry and foreign banks was the definition of capital. Until now, the equity capital of a foreign bank in Korea is presumed to be the total operating fund of the branch, and this, according to the Foreign Bankers' Association, acts as a constraint determining the credit ceiling of a single borrower. In Korea, the government usually fixes the credit ceiling according to the size of a bank's capital. Under the new policy, the size of the presumptive capital will be increased and foreign banks should be less constrained.

Contrary to general belief that the government acted under pressure from the United States, Seoul-based foreign bankers, including Thomas Charters of Citibank and Roger Griffin of Chase Manhattan, called the policy a part of the Korean government's liberalization plan. A bill proposed in the U.S. Senate requires the U.S. government to take into consideration the treatment received by American banks in foreign countries before granting foreign banks permission to operate in the United States. U.S. banks and the American Chamber of Com-

merce were most vocal in calling for "fair treatment."

Mr. Griffin agreed with Mr. Lee of the Ministry of Finance that the present policy is definitely a part of the government's financial liberalization plan. Under the plan, foreign banks will have added responsibility. Although they would not be a part of the government's preferential policy lending, under which the government asks domestic banks to lend to a certain sector or certain company, foreign banks will be obliged to lend to small and medium-sized companies. Foreign banks will initially be required to lend 10 percent of their lending funds but may eventually have to be at par with domestic banks, which are required to lend as much as 35 percent of the total lending funds.

After the present wave of liberalization subsidies, one issue may crop up. Lobbyists for domestic banks say that by definition of national treatment, foreign banks, like their Korean counterparts, should be required to become a part of the selective credit policy. "If the foreign banks were not required to participate in this time-honored system in Korea, they should not also be given full access to the rediscout window; otherwise, the national treatment for foreign banks would translate into a discriminatory treatment for domestic banks," one banker said.

Under the new policy, the future of swap arrangements are not clear. Under a swap arrangement, foreign banks sell foreign currency to a central bank under a repurchase agreement. This swap transaction is free of any exchange risk, and a 1-percent margin is guaranteed when these funds are loaned out to domestic banks.

The swap is necessary because a foreign bank's ability to raise funds locally is limited. In a magazine interview, the minister of finance, Kim Mahn-Je, an American-trained economist and campaigner for liberalization, said: "As foreign banks are being given national treatment, exclusive privileges (swap) that they have enjoyed will be gradually reduced."

But even if the government wants to eliminate this privilege, it could not. The swapped amount as of December 1983 has risen to \$1.7 billion. If swap privileges are eliminated, another round of protest may start. The foreign banks are allowed to have a maximum of two branches and, as a result, their ability to raise funds is very limited.

One of the arguments made by foreign banks while asking for more areas for business was that they are the ones who helped raise Korea's \$41.1 billion in foreign debt. The foreign banks' role will be crucial in the next several years, as Korea will be borrowing another \$6 billion a year in roll-over and new financing.

Even though some of the world's money-center banks are holding their exposure to Korea steady or cutting back, Korea will remain a sought-after market. Not only are Korea's debt management and debt service exemplary, Korea's economy is growing at a 7-percent real growth rate, and exports and overseas construction will make Korea a \$90-billion market by 1988; although foreign bankers claim that on the basis of return on assets, (an indicator of profitability), Korea is less attractive. Nevertheless, the number of foreign bank branches in Korea is fast approaching that of Japan.

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A SPECIAL REPORT ON SOUTH KOREA

Chun's Japan Visit: A Victory Of Diplomacy After Setbacks

(Continued From Previous Page)

three rounds of athletic talks on forming a joint sports team for the 1984 Olympics in Los Angeles, as well as the Asian Games in 1986 and the Seoul Olympics in 1988.

The sports talks recently broke down amid accusations from North Korea that Seoul's representatives introduced political issues into the talks.

According to the director general of the Office of North-South Dialogue, Song Han-Ho, the North Korean participation in the Soviet boycott of the Los Angeles games simply made the formation of a sports team possible.

A call from President Chun in late August for sports talks to resume in time for both teams to compete under one flag in the coming Asian games drew a rejection from North Korea. According to Mr. Song, the details of how a team might be formed were never broached in the first three sessions, and observers present for the talks said that both sides seemed more intent on stating political positions than in negotiating.

A sense of suspicion pervades even the most measured conversations with South Koreans about their Northern cousins.

South Koreans argue that everything from border provocations through the years to the attempt in Rangoon to wipe out their government make any peace overtures from Pyongyang, the northern cap-

ital, hardly credible. It was in this cynical light that they viewed North Korea's appeal last January for a three-party peace conference, as band-delivered by the visiting Chinese Prime Minister, Zhao Ziyang, to President Ronald Reagan.

In the message, the North Korean president, Kim Il Sung, proposed that Washington take part in reunification talks between North and South Korea — the first time the Pyongyang government has ever offered to include the South Koreans in such discussions on an equal footing.

The offer appears to have made no progress to date, and is viewed by South Koreans as a fleeting gesture from the North to offset worldwide revulsion at the Rangoon massacre.

The South Koreans prefer the idea of direct bilateral talks between the North and the South, to which other parties like China or the U.S. might be invited in view of their role in the 1953 ceasefire agreement, which ended the three-year Korean War but continued the division of the country.

Now, according to Mr. Song, both Washington and Seoul feel that the presence of China in some as of yet undecided capacity would be the only sure guarantee of negotiated promises from Pyongyang.

He said that "although North Korea has some diplomatic ties with both China and the Soviet

Union, North Korea is tilting more toward China at the moment." He also credited China with stopping North Korea from further provocation or violence against the South since last year's disasters.

But both Mr. Song and the assistant foreign minister, Han Woo-Suk, describe China as reluctant to meddle too far in proposed talks at a time when China is seeking military technology from the United States, or might risk pushing North Korea too far toward the Soviet camp.

During talks in Peking between North Korean and Washington representatives, it appeared that Pyongyang watered down demands for U.S. troop withdrawals from the South as a prerequisite for tripartite talks.

But the South Koreans are less than impressed.

Mr. Han said: "There is some trickery behind every peace offensive from the North. When negotiations started in the early 1970s they started digging tunnels, and when they formally made a proposal for talks in January this year, the United States, Japan and others all commented that it was just a propaganda gesture after Rangoon."

Despite Rangoon, the Japanese seek greater trade relations with the North Koreans. On the other side, China, already enjoying an unofficial trade with the South Koreans, also has an interest in reducing North-South tension. During Mr.

Chun's visit to Tokyo, the South Korean president demonstrated how strongly Seoul objects to any closer ties between Tokyo and Pyongyang. But Prime Minister Nakasone appeared to stand some ground against Mr. Chun's pleas not to increase contact with the Communists, warning that the Kim regime should not be driven further into isolation.

The latest development is the North Koreans' offer of aid and assistance to the South's victims of recent flooding. Although the South Koreans pointed out that most of the South's flood damage

had already been repaired, they clearly had no choice but to accept the offer rather than appear as political chills. The medicine, rice, cloth and cement delivered on September 30 was the first exchange of aid between the two governments since the Korean War. Diplomats saw this move as an indication that the North is softening its stance toward the South.

Against this background, South Korea might have to give some ground itself. Secretly, it seems that the South Koreans also feel that, even if they

An Export-Led Economy Moves to World Stage

(Continued From Previous Page)

have to look to lowering inflation, reaching price stability and improving the balance of payments. We cannot forget our corporate sector and have to mobilize our domestic savings more effectively."

Reining in domestic savings is proving a difficult task. President Chun's chief economic adviser, Sakong Il, who succeeded Kim Jae-Ik, wants to increase the savings rate from 24.4 percent of gross national product at the end of last year to a target of 29.3 percent by 1986, still below Japan's and Taiwan's present rates of above 30 percent.

The liberalization plan includes total liberalization of foreign imports and investment by 1988, posing a considerable challenge to the chaebols in terms of competition just when their interest-rate burden is likely to increase. In the long term, the government is willing to take the risk.

"We say to the large corporations, they keep too many enterprises going at once, and the efficiency of one supports the inefficiency of the others; for their own survival in the international market, it's unwise," said Kim Dai-Young. Foreign bankers, too, worry that when they are leading to one of the big conglomerates the loan goes to the ailing division within the group, and they would like to see separate accounting practices from their borrowers. The large companies are not unaware of the need to

trim away aging or inefficient operations. Daewoo's chairman, Mr. Kim, said that the speed of Korea's development has been too rapid to give it time to dispose of existing industries to make way for new ones. "There hasn't been much time to acquire capital and nobody can buy these companies — like our leather manufacturing — out," he said. "The small and medium companies have no money to take it over."

The government's get-tough policy also comes at a bad time for large companies that are suffering from a slump in Middle Eastern demand for construction workers from South Korea and a depression in the shipbuilding industry. Hyundai's executive vice president, H.Y. Lee, said that because of a slowdown in orders for construction from South America and the Middle East, the company had to diversify into new markets in Africa and Southeast Asia.

In shipbuilding, Hyundai expects to ride the slump "because of the quality of our labor force, which will work 24 hours a day if they have to, and cost one third less than Japan's," Mr. Lee said.

Nevertheless, Mr. Lee acknowledges that the "Korean economist must turn to high technology and transfer our heavy industries to other developing countries as they

catch up with us." Hyundai already plans investment in high technology by their group alone to reach about \$430 million by the middle of next year.

Samsung, Lucky Gold Star, Hyundai and Daewoo have all begun the transition to higher-technology products, but this time, they said, the decision to redirect the manufacturing sector was made less under government pressure than under the pressure of economic imperatives. And there is an uncharacteristic tentativeness among South Koreans about their exploration for a high-tech niche in Asia, where Singapore, Hong Kong and Taiwan are also aiming for growth in value-added electronics.

Daewoo's chairman, Mr. Kim, said: "We're not yet into semiconductors at Daewoo, and relatively speaking, our investment is not yet significant. We have the manufacturing capability, but so far we are not innovators. I am concerned that we still have to bring the software from the U.S. or Europe or Japan."

The EDB's Mr. Kim noted: "South Korea's timing may already be too late for entry into electronics. We have to look at 20 years from now, and we're taking a very painful and costly risk. Of the four companies starting to move in that direction, maybe two will lose. I myself am a little worried over the level of investment."

do nothing, time is on their side. "Political, economic and military factors in North Korea are all negative at this time, and change is inevitable in the long run," Mr. Han said.

"Every time North Korea has made some sort of provocation, we always use it to strengthen our national unity or consensus and support for the government," he said. "It is an occasion for South Korea to show confidence and restraint to the outside of our real power and will to keep peace."

—DINAH LEE

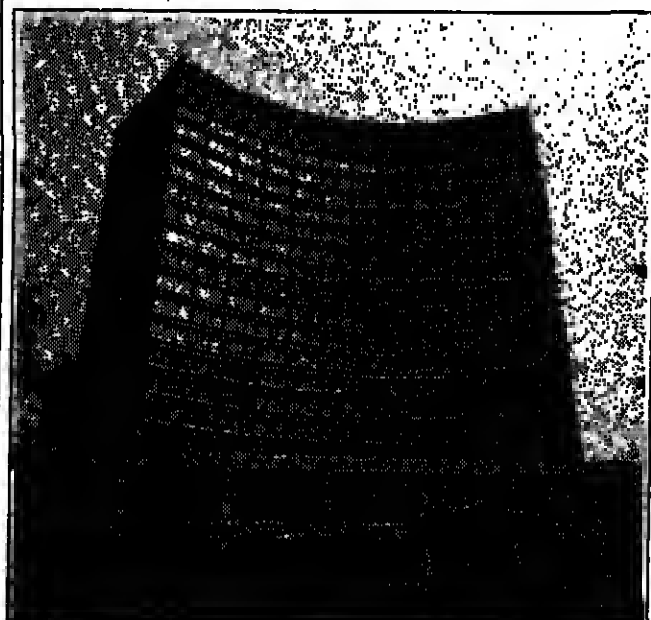


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After a Slow Start, Korea Fund Is Attracting Foreign Investors

THE GOVERNMENT'S master plan to open up the South Korean economy to foreign investment and trade by 1988 draws cynical smiles from some foreign businessmen and bankers who would like to see more action and less talk.

However, they cannot deny that one new development, the Korea Fund launched on the New York Stock Exchange in August, is an undeniably important step in the process of weaning the country off foreign borrowing (now \$42 billion) and increasing its use of direct foreign capital investment.

The Korea Fund already has captured the imagination of some foreign investors who regret not having bought Japan Fund shares in the 1960s when they were one-twentieth of their current price.

Although many international circumstances have changed since the Japan Fund began trading, there are some similarities. Like the Japan of the early 1960s, the Korea of today still boasts a relatively cheap labor force whose productivity is underutilized. Price-earnings ratios on the Korean Stock Exchange are still low, and the market itself is small — last year, the average trading volume was only \$7.5 million.

While the market is still thin and volatile, it, nevertheless, offers the risk-taker an unusual opportunity to invest in an economy with growth in gross domestic product of 9.3 percent in 1983, 5.6 percent in 1982, and 6.2 percent in 1981.

So it seems ironic that the Korea Fund, with all its obvious attrac-

tions, has had such a difficult time reaching the market place.

According to a former chairman of the Export-Import Bank of Korea, who is now the vice chairman of the Korea Fund, Tai-Ho Lee, the fund took three years to finalize. It had to wait longer than otherwise, he said, because of the discouraging performance of the Mexico Fund, the depressed state of the U.S. equities market, and the reluctance of potential U.S. partners to make the fund a public offering rather than a private placement.

The closed-end fund was launched August 2 at an initial offer of 5 million shares at \$12 each.

The Korean advisers to the fund are Daewoo Securities, the country's largest stockbroker, and U.S. managers are Scudder, Stevens and Clark, who charge a 1.1-percent annual management fee from the fund. In only its first day of trading, the Korea Fund qualified as the day's 15th most active stock, with a total of 803,300 shares.

According to Mr. Lee, 80 percent will be invested in Korean equities, while 20 percent will stay in U.S. mutual funds and money-market instruments. So as not to disrupt trading in Korea's market, no more than 50 percent will be invested in the first year so as to emphasize its objective as a long-term capital appreciation investment.

The Korea Fund was preceded by the introduction of two smaller Korea-based funds aimed at Euro-



High-rise buildings in central Seoul.

pean investors, the Korea Trust and the Korea Investment Trust, which now stand at 25 million shares each. Now that the Korea Fund has been successfully launched, the next step in the government's liberalization program will be allowing large Korean brokerage firms to accept equity investment of up to 10 percent of outstanding shares of a company from foreign brokerage houses.

The final stages will be to allow individual investors the chance to make limited equity investments,

and then, eventually, complete liberalization.

But investors entering the Korean market, either through the fund, or some day through their own broker, must cope with greater political instability than in the United States as well as tensions associated with divisions of North and South Korea, as well as events like the Korean Air Lines 007 disaster in September 1983 and the Rangoon bombing in October.

Investors must also enter the Korean stock market understanding

its intrinsic volatility and manipulability. The Korean economy is heavily dominated by a handful of large trading houses, called *chaebol*, which operate in every aspect of the Korean commercial area from shipping and engineering to food and electrical household goods.

Furthermore, the level of research and analysis in the Korean stock market is primitive, something that Korean brokers are well aware of.

Sung-Kyu Lee of Dongsuh Securities said: "We're in the learning stage right now, and we need to learn everything. It's quite important to know how to service American investors, to change the style of our service by improving our information and recommendations. U.S. investors use data and tactics, while Koreans rely on simple financial information and rumors."

The risks are clear, particularly as Korea's growth is primarily export-dependent, and despite an improvement over the years in domestic savings, Korea's debt is still the

fourth largest sovereign debt in the world.

Mr. Lee said: "Our government is encouraging foreign capital investment rather than foreign borrowing. That means making the market a target for domestic savings. We want to improve the corporate equity/debt ratio so 1 feel the security industry is the most important for the economy at this moment and the immediate future."

— DINAH LEE



A student in Pusan learns electric line layout in a World Bank-sponsored vocational training project.

Protection Remains Trade Policy Theme

SOUTH Korea is now more liberal at its stage of development than Japan was at a comparable stage a few decades ago. Liberalized imports at the end of last year constituted the equivalent of just over 80 percent of total imports.

By 1988, the Koreans hope to reach roughly 95 percent liberalization, the level in developed countries. But critics of Korea's trade policy say that the picture is less bright than first appears. The president of the American Chamber of Commerce in Seoul, Richard Shultz, compared Korea with Japan in terms of maintaining trade barriers, both visible and invisible, including high tariffs on items that are no longer officially restricted.

The Koreans respond that they must protect themselves as they develop, particularly in the agricultural sector, where 25 percent of the labor force is employed, but are liberalizing where they feel their products are competitive or where they have no advantages. They bristle when they are compared with Japan, particularly from the United States, where in the last two years, there have been 11 anti-dumping or countervailing lawsuits brought against Korean companies.

Daewoo Corp.'s executive managing director, Kye-Yong Choi, said that Japan has enjoyed a number of advantages during its development that Korea has not and that the size and sophistication of Korean exports do not compare with Japan's share, although the United States is Korea's largest market.

"When the Japanese were recovering from World War II, they had the bonanza of markets during the Korean War and then the Vietnam War," he said. "When South Korea decided to industrialize in the late 1960s and early 1970s we bought Japanese steel mills and petrochemical equipment. As we moved into electronics, they sold us parts we didn't have. Their other advantage is the size of their domestic market, 100 million people compared to our 40 million. And once we started exporting we encountered protectionist quotas that weren't in existence during the early days of Japanese development."

Together, the United States and Japan account for almost half of Korea's exports, but both have policies that constrain South Korea's access to their markets.

In 1983, the United States took one-third of Korea's exports and Korea ended the year with a \$1.8-billion surplus. To keep good will alive, Koreans touring the United States last spring agreed to purchase \$2.4 billion worth of American goods, including aircraft and computers. Koreans are hoping that promises of increased liberalization for American investment into their own country and a two-

way flow of trade will appease growing American fears that South Korea is another Japan.

Ironically, although Koreans intend to stand by their commitment to liberalize their own markets by 1988, they are increasingly bitter about Japan's treatment of their exports. A slowing down of trade growth between the two countries is due in part to the lessening interest of Japanese investments in South Korea and reduced complementarity between the two economies. There is also increased competition between them in the race for sales of technology to third countries.

President Chun's recent visit to Tokyo marked a new era for both countries in terms of their diplomatic relations, but it may not have welded trade ties any closer together. Trade talks intended to pave the way for the presidential visit to Tokyo broke down within days of President Chun's departure for the Japanese capital.

The trade negotiator and director general at the Ministry of Commerce and Industry's Bureau of International Trade Promotion, Uo-Suh Park, said: "At our working level meeting with the Japanese, we strongly asked them to take some broad measures to give us some benefits. We wanted a reduction of tariff rates on fishery and textile products and to expand their generalized system of preferences for our textiles, shoe and leather exports."

According to Mr. Park, the Japanese response was very disappointing. Tokyo authorities said they would review the Korean requests in the context of opening their markets in the benefit of all developing countries, not just Korea.

Another disappointment of President Chun's trip for South Korea was the lukewarm Japanese response to their plea against closer trade ties between Tokyo and North Korea. The ouster of Prime Minister Yasuhiro Nakasone's comments were clearly in favor of lessening Pyongyang's commercial isolation from its neighbors.

By mid-September the economic climate between the two countries was cooler, not warmer, following the diplomatic visit by President Chun. The Japanese Ministry of International Trade and Industry (MITI) was accusing the South Koreans of tightening existing regulations so as to reduce the volume of Japanese imports to South Korea. The Japanese said they suspected that the South Korean government had instructed companies to toughen its implementation of the so-called recommendation system, which permits the importation of some 1,200 Japanese items so long as no South Korean company objects.

— DINAH LEE

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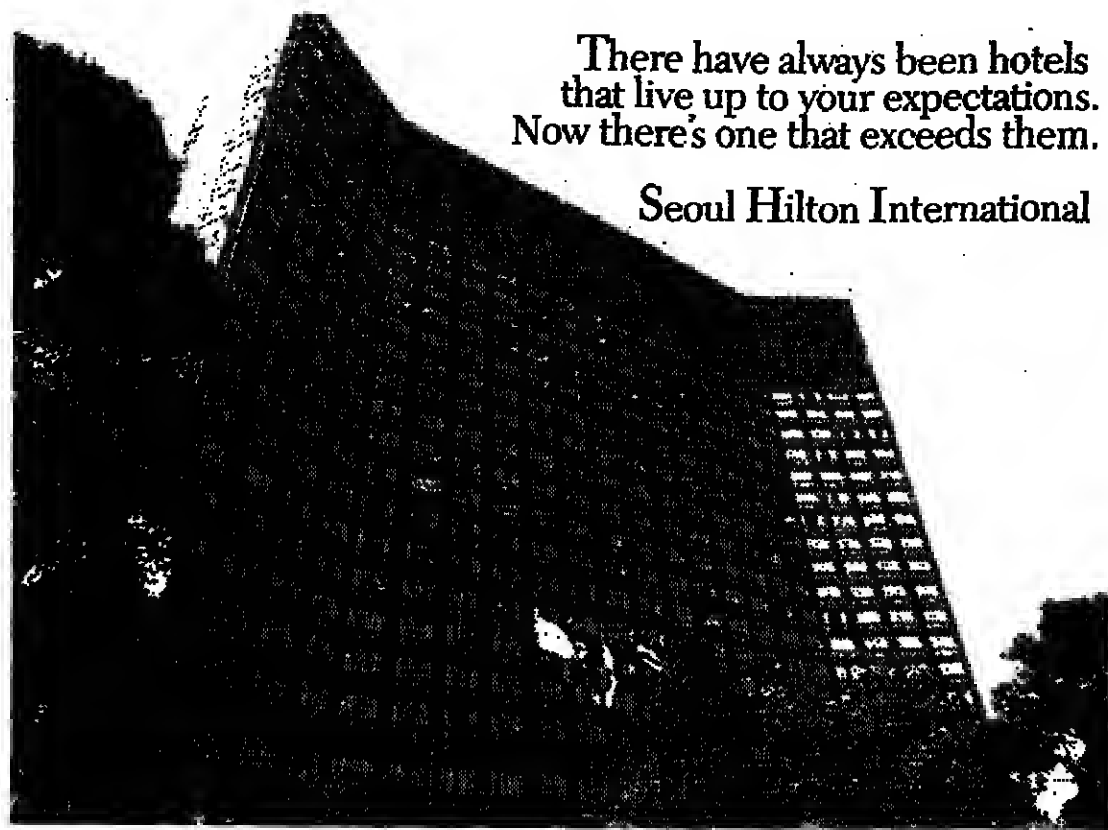
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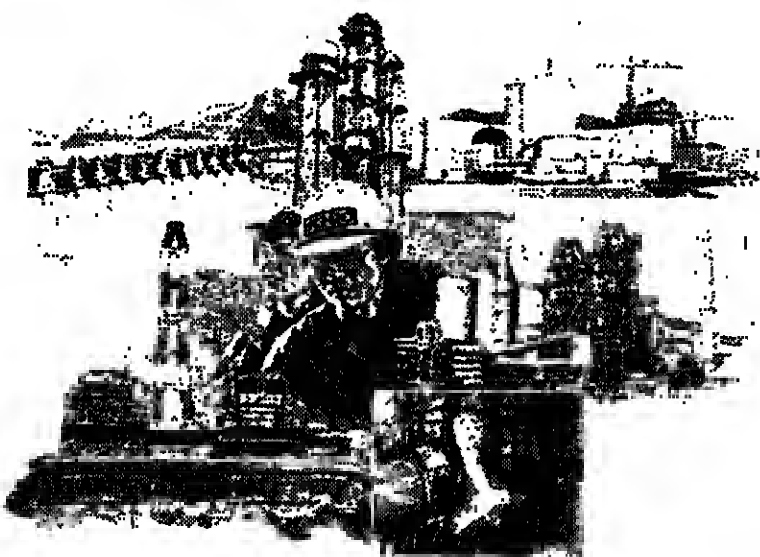


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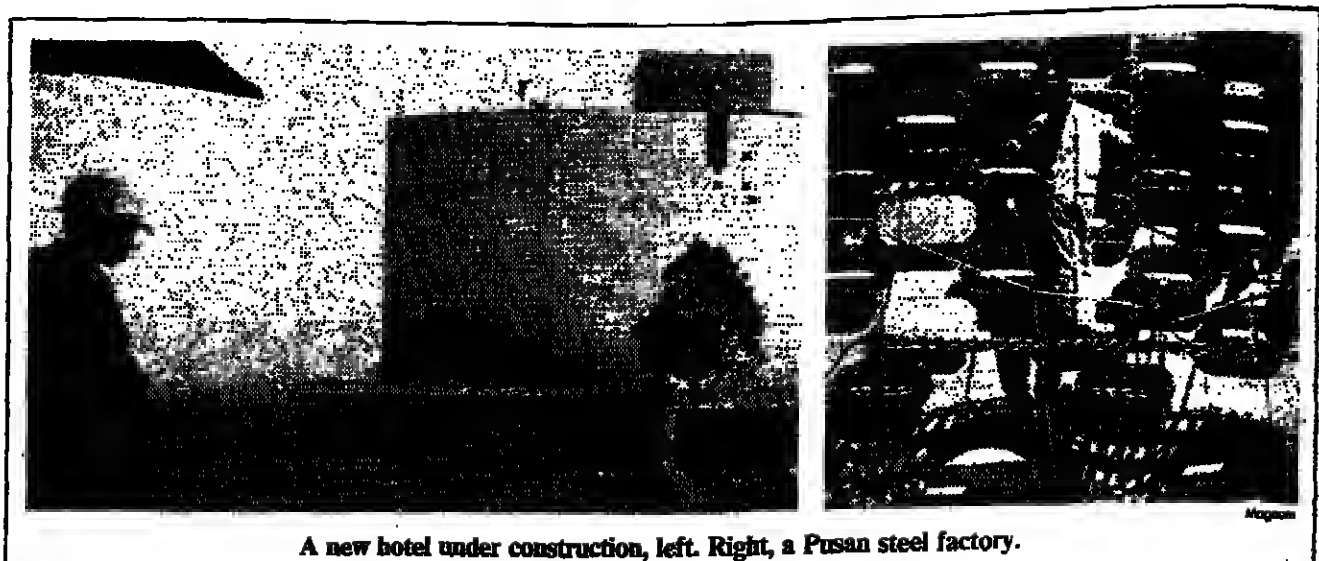
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A SPECIAL REPORT ON SOUTH KOREA



A new hotel under construction, left. Right, a Pusan steel factory.

Textiles Industry: Period of Transition

SOUTH KOREA'S textiles industry is in transition. While a steady growth in exports is necessary for maintaining economic growth, prospects are dim at best. Textiles and related products account for almost a quarter of the export-dependent country's total shipments. Officials at the Ministry of Trade and Commerce, industry analysts and company executives do not expect textile's share in total exports to decline substantially during the next several years.

However, the rate of the growth has considerably slowed down due to a combination of factors, low quality, a surge of new exporting nations and a less efficient industrial structure.

Total textiles exports during January-June 1984 rose by 25.7 percent, to \$3.5 billion, from a year earlier. Encouraged by this surprising growth, the ministry intends to push the exports equivalent to \$6.68 billion, a 10-percent increase from 1983's total shipments. The growth is seen as a vindication of the ministry's effort to upgrade the industry after a decade of negligence in the 1970s when the government's entire investment and development program was geared for heavy and chemical industrial development.

In 1982, the government realized its mistake and implemented a \$1.34-billion modernization plan to double total textiles exports to \$12.4 billion by 1986, a goal that now seems to be impossible to achieve. The plan emphasized factory automation, improvement of dyeing technology and upgrading in quality and design of fabric and garments. The textiles industry can

not simply be neglected, said Lee Sung-Bae, an official at the Ministry of Trade, because it provides jobs for 30 percent of those employed in the manufacturing sector.

While the new and controversial U.S. regulations on "country of origin" labeling, if implemented, will not affect Korean exports, rising protectionist trends in principal importing regions like the United States and Europe do make Korean exporters worry. Unlike Hong Kong exporters, who use factories in China to produce goods, Korean counterparts rely on local facilities. Korean exporters generally are not pessimistic about the loss of market to emerging countries like China. Echoing the confidence of the industry, Kim Tae-Kil, the planning director of the Korea Federation of Textiles Industries, said: "The textile industry cannot thrive only with cheap labor. It requires a vertical integration of such other related sectors as machinery, marketing, accessories and a good source of power. After all, it took Korea more than a decade to come close to Japan's level and it might take another decade for new exporters to approach Korean standard."

Exporters, however, are not taking any chance and the government does not like them to be complacent. Korean exporters are exploring possibilities of setting up plants in the Third World, particularly in Latin American countries. Two exporters, Kyungduk Trading and Yulwa Corp., for example, have set up joint-venture plants in Sri Lanka and Honduras. One prime motivation for such joint-venture plants

in third countries is to circumvent the quota system, now imposed on large exporters like Korea, Taiwan and Hong Kong by Western importing nations.

Leading exporters like Daewoo Corp., which built its \$4.25-billion empire on textiles, and the government emphasize development of value-added products. This, an analyst said, is easier said than done. While research and development on quality and design of fabric and high fashion are still at a rudimentary level, the country's textile industrial structure is less suitable for development of value-added products. It is next to impossible to guide so many thousands of mill owners on new trends in design and fashion. Most production facilities are obsolete, and replacement is expensive. Seamstresses are difficult to find, as women, now better educated, prefer to work in high-paying air-conditioned electronics assembly lines rather than in hot and humid sweatshops.

Higher tariff and higher wages raise production costs by as much as 20 percent above that of Hong Kong and Taiwan. Nevertheless, big exporters and manufacturers are taking steps in this direction. Daewoo, which owns the world's largest shirt-making plant (25.8 million shirts and blouses a year), is investing \$6 million a year in new equipment. Daewoo has an advantage because it manufactures sewing machines. Part of the investment also goes to factory automation with computer-controlled systems to reduce manual labor.

—LAXMI NAKARMI

Ambitious Plans for Automotive Exports

Paul Ensor

GLOBAL THINKING in automobile production has become an increasingly fashionable concept, especially among U.S. producers, and South Korea may become one of the major beneficiaries of this new approach. Already in 1984, General Motors Corp. has concluded a major deal with the country's second largest producer of cars, Daewoo Motors, to produce sub-compacts, a large share of which will be sold on the U.S. market.

Rumors are now going around Seoul regarding other possible production tieups that U.S. firms have been discussing with local firms. The Korean industrial landscape is dotted with spectacular successes, as well as some daunting failures. The automobile sector has had its fair share of both, and foreign involvement would help producers cope with two nagging problems: access to foreign markets, and technology development.

Korean planners have always had very ambitious plans for the development of a large, export-oriented automobile industry. In the early 1970s, automobiles were designated a "strategic export industry," and production of cars grew rapidly to satisfy the booming domestic market until the oil crisis of 1979 and the recession that followed. Then came the crash—production of cars dropped by 50 percent in 1980 and capacity utilization fell to 23.5 percent. All three major producers were saddled with huge losses; one company, Kia Industrial, was forced out of the business under government pressure, leaving Hyundai and Daewoo to resolve the problem.

The recovery of the economy in 1983 raised the industry from its knees. Total turnover for the industry grew by 37.4 percent to \$1.9 billion; profits reflected the recovery of sales. Hyundai's after-tax profits more than doubled, to 25.1 billion won last year, compared to 11.2 billion won in 1982, and losses amounting to 35.8 billion won in 1980-81. For Daewoo, the turnaround was more striking—from losses of 22.7 billion won in 1982 to profits of 28 billion won last year. For the industry as a whole, capacity utilization soared to 70 percent. Indications are that 1984 will be another year of solid if less dramatic growth, although it would be difficult to keep up with last year's record—domestic sales are expected to grow about 10 percent and exports may grow much more from just under 20,000 cars last year to 30,000.

The improved performance seems to have restored the infectious bullishness of the past, and now automobile producers in Korea are bracing for another massive investment spree that will raise total productive capacity to 350,000 cars a year by 1986, compared to a total production of 121,000 units last year. As in the past, exports are expected to take off in 1986, reaching 100,000 units—which would be a fair jump from last year's less than 20,000 units, but slightly more realistic in view of the 137-percent growth in car exports recorded in the first seven months of 1984.

A number of analysts openly wonder whether this latest plan to bolt into the world of exports will be any more successful than the last. Many question where all the exports will be sent. Korean cars still do not meet U.S. safety stan-

dards, and exports to developing countries cannot be counted on—many now want to assemble their own cars, and the drop in oil prices has slowed demand in the Middle East, once considered a promising market. So far Britain and Canada have been the most successful buyers of Korean cars, almost entirely Hyundai's Italian designed subcompact, the Pony.

The risks involved are enormous—the Koreans are talking about more than doubling the share of production that they export, from 14 percent last year to 33 percent in 1986. The prevailing rationale is the same as in the past—"if the Japanese did it, then why shouldn't Korea," as one executive put it.

However, quite apart from the differences between the two countries, the world auto market has changed since the Japanese share of the world market increased in the 1970s. While small Japanese cars were able to thrive on changed buying habits brought about by higher oil prices, the Koreans face a world that has grown more protectionist in light of Japanese exports, where the small car has become increasingly sophisticated. Kim Ki-whan, of the Economic Planning Board, is optimistic. He said: "The Japanese have kept within their voluntary restrictions on the U.S. market, but have continually moved upmarket, making more expensive cars, and leaving a niche behind them for small, cheaper Korean imports."

Another major question that hangs over the future of Korean auto exports is technology. Car production in advanced countries is moving from middle into high technology, with increasing use of new materials and electronic components to maximize efficiency. With the advent of these new technologies, it is not clear whether the Koreans will be able to compete with their relatively simple "boxes on wheels," as one U.S. analyst described them. "Korean cars have outdated suspension and transmission systems, they are not as fuel-efficient as their competitors, and they are heavy for their size," according to Richard Shotts, an automotive expert who is currently president of the American Chamber of Commerce in Seoul.

Hyundai Motor Co. is the giant among Korean auto manufacturers, with 47 percent of the total automotive market and domination in certain areas such as sub-compacts. Virtually all exports right now are from Hyundai, most of these are Ponys. Hyundai is planning to start production of its new front-wheel drive subcompact car in 1985, eventually reaching a productive capacity of 300,000 cars a year by 1986—of which it hopes to be exporting 100,000. S.W. Chon, a vice president, is elusive on exports. "We are just tiny on the world scale, but possibilities are great," he said.

Mitsubishi Motors have a 10-percent share in Hyundai, which comes with some technical assistance, and Ford (for whom Hyundai assembles Cortinas for domestic sales) is said to be helping with engines on the X car.

Daewoo Motors, with an 18-percent share in total output last year, is No. 2 by a long shot. Daewoo has been in the headlines recently with the recent signing of a deal with General Motors Corp. to produce T cars—front-wheel drive sub-

compacts for the United States starting in 1986. When production reaches full swing in 1988, Daewoo's capacity will be boosted by 165,000 units annually, of which 100,000 will be exported by General Motors to the United States.

Both Daewoo and GM have been quiet on the deal. There has been a similar blanket on discus-

sions currently under way between Chrysler and Samsung. Samsung has no experience in cars, but Chrysler is apparently seriously considering some sort of linkup, some clear word on this, which could face stiff opposition from Daewoo and Hyundai as well as the United Auto Workers, should come in the next six months.



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Construction Industry Off to a New Start

A MAJOR but expected change took place in the South Korean construction industry when creditors of three internationally known builders intervened to streamline the companies' management.

In July, the state-owned Korea Exchange Bank (KEB) handed over Keangnam Enterprises to the Daewoo group for a fact-finding investigation of the company's affairs. Two privately owned commercial banks followed the KEB decision soon afterward. Korea First Bank transferred the management of Namkwang Construction to Sangyong Construction, and Cho Hwang Bank requested Daewoo to manage "temporarily" Samho International. South Korea has a prime-bank system under which a corporation should accept its creditor's decision. Bankers and analysts see the three cases as the beginning of a large-scale realignment of Korea's overgrown construction industry.

Keangnam, Namkwang and Samho are among Korea's top 15 international builders. A strong factor in the construction industry has been its "super-efficient" firms. This foundation is, however, giving way, with several other overseas contractors drifting between solvency and bankruptcy. "The business has never been so rough for so many contractors at the same time," one executive said. The image of the entire construction industry is at stake.

Korea won its first overseas contracts 20 years ago in Thailand. Since then, Koreans have received \$72 billion in contracts worldwide. Foreign-exchange remittances average about \$2 billion a year, reaching a total of \$15 billion as of mid-1984. Fifty-three companies are operating in 33 countries employing 153,000 Korean workers. Since the late 1970s, Korea has been the second largest international contractor behind the United States worldwide.

Koreans have been awarded some of the largest and most prestigious projects. Libya awarded what is described as the world's largest single contract — a \$3.2-billion job to solve its water problem by harnessing water beneath the Sahara — to Dong Ah Construction Industrial. Hyundai Engineering and Construction is bridging the 4.2-mile span between Peang Island and the Malaysian peninsula, and Sangyong Construction will complete within a few months "a city within a city" — Singapore's Raffles city project. Companies like Hyundai and Samwhan are generally given priority by such tough clients as Aramco and the U.S. Corps of Engineers.

While the opening of the Middle

East market helped develop Korea's overseas construction industry, overdependence (85 percent of the total contract value) in this single market also caused several problems to the industry. When oil revenues were flowing into the coffers of countries like Saudi Arabia and Libya, the owners were ambitious and generous. Several leading companies took this opportunity to reap profits. But as oil revenues thinned, Libya, Saudi Arabia and Iraq drastically reduced new development projects. Along with this reduction came changes in such regulations as advance payment and localization (priority to local companies in awarding simpler infrastructural projects), which seriously affected Koreans who, according to a company executive who asked to remain anonymous, used the advance money to finance other projects.

Bankers such as Tom Pyle, of Chase Manhattan in Seoul, and Mike Wood, National Commercial of Saudi Arabia's Seoul representative, agree that the construction companies were circled viciously by liquidity shortage, low bid prices and declining new orders. Mr. Pyle said that payment delays from the project owners in the Middle East have hurt the flow of funds.

According to Lee Seung-Yeun, president of the Overseas Contractors' Association of Korea, payments still to be collected from clients amount to as much as \$3.5 billion, an amount big enough to crush the thinly capitalized construction firms. Lower advance payments, down from 20 percent of contract value to 5 percent in some cases, have thinned cash available for project mobilization. Higher costs of labor and equipment have taken their toll on their profitability. (Net profit to sales has declined steadily from 4.2 percent in 1980 to 1.3 percent in 1983 for the industry as a whole.) Fewer projects are coming up for bids, so contractors are bidding lower and lower to win them. New contracts awarded to Koreans peaked to more than \$13 billion in 1981 and 1982. Even an optimistic projection places total new contracts in 1984 at less than \$7 billion.

The industry's problem was not that of the companies alone. The nation's companies borrowed more than \$4 billion from offshore sources and, although details are not available, local commercial and state-owned banks are believed to have given about the same amount in loans, performance bonds and payment guarantees. Bankruptcy of one construction company could be enough to send a commercial bank under.

The problems in the industry

also forced the government, which now prefers less intervention in private business, to step in. The minister of construction, Kim Sung-Bae, told a group of contractors in August that the government could not leave the industry to itself and asked them to voluntarily rationalize their management and operations. The government quickly worked behind the scenes on the transfer of the management of the three companies and served notice to several others to take steps if they want their license to remain valid.

Mr. Kim in a statement announced a carrot-and-stick policy. These companies that opt for rationalization through disposal of real estate and subsidiaries and withdrawal from overseas job sites would qualify for financial relief from the government and banks. The message was clear, as several companies quickly sold off real estate. Namkwang, for example, sold its headquarters building in downtown Seoul. Jungwoo Development, a major contractor active mostly in Kuwait, announced its plan to dispose of its subsidiary, Jungwoo Energy.

As carrot, the government offered a variety of incentives to financially sound companies. They will qualify, for example, for financing by the Export-Import Bank of Korea for those construction projects that require a contractor to finance the job. The companies will also be able to borrow offshore up to 50 percent — up from 30 percent now — of the contract value to finance a project. They would also be allowed to hire more non-Korean workers. Those companies that failed to take any steps will be subject to strict government scrutiny, meaning no help.

But the most important part of the policy is "traffic control," under which the Ministry of Construction prevents a certain company from operating in a certain country. Daewoo Corp., for example, is not allowed to bid in Saudi Arabia for civil-engineering projects. The so-called sound companies will get priority when a new market opens. Officials in Pakistan, which recently invited Korean companies to take part in Pakistani development programs, found dozens of company executives calling on them.

Bankers and analysts expect the government to reduce the number of overseas contractors to a leaner but healthy size of 20, from 53 now. This is seen as necessary to cool the heated competition among Korean companies themselves. The government is watching closely how Hyundai, Daewoo and Daewoo have in the war-torn Iranian mar-

ket. Iran was a major market for Koreans before the fall of Shah Mohammed Reza Pahlavi. The revolution forced all Korean contractors to withdraw from the country, leaving several unfinished projects.

Recently, Daewoo Industrial concluded a \$200-million natural-gas plant and, according to industry sources, successfully renegotiated compensation for two projects — a \$150-million, 90-percent completed natural-gas plant and a 40-percent complete \$36-million Tabriz power plant — left unfinished when the contractor withdrew. Similarly, Hyundai is also negotiating compensation for \$200 million worth of projects.

Daewoo is a late entrant in the market and it signed a \$100-million railway project early this year. Daewoo, which likes to take "grand risks" for higher profit expects to win \$300 million worth of new contracts. Iran, trying to restore confidence of foreign businessmen, pays in cash, something rare in the present international market.

Across the border in Iraq, Hyundai is busy. It recently won a \$730-million contract to build a power plant at Al Musseib. Despite the war, Hyundai officials said, no major losses have been suffered. Iraq, like Libya, had payment difficulties in 1982, but Saudi Arabia is paying Hyundai for Iraq partly in oil.

Contractors like Hyundai and Daewoo believe the present slowdown in the market is a cyclical factor, and they expect the market to improve in 1985 and 1986. The Wharton Econometric Forecasting Institute and Chase Econometrics both projected large-scale increases in Middle East contracts in the next three years. The success of Korean companies, however, will depend to a large extent on their ability to tie up with European, Japanese and U.S. companies as most projects coming up in the region will be technology oriented and Korea does not have a high level of technology at this point.

The government is well aware of this reality and, as such, has taken steps to make such joint ventures or technology import less bureaucratic. The government also told construction companies to improve technological capability at a rapid pace.

An analyst said recently: "What is important for profitable tapping of the Middle East market is to adopt good project evaluation, austere management and a business style that emphasizes low turnover and high profit. All of these essential qualities were found to be starkly absent among the companies now in trouble."

— LAXMI NAKARMI

In Pusan, a major port is being developed with an \$80-million World Bank loan.

Shrinking Market Sets Back Shipbuilders

By Ann Charters

WAITING OUT the recovery in the world shipping market with its eventual resurgence in new orders is not proving to be easy for South Korea's shipbuilding industry.

In 10 years, Korea has moved from a nearly insignificant producer to second place among world shipbuilders in terms of numbers of ships completed and new orders captured, only to find the market now half the size it used to be.

In 1973, Korea accounted for 1 percent in ship completions out of a world total of 30.4 million gross registered tons. By the end of last year, Korea was producing 10 percent of the world's new vessels, with 15 million gross registered tons completed. Total ship completions worldwide for 1983, however, reached only 15.7 million tons according to the Lloyd's Register of Shipping.

Korean yards are still busy, and ships are being christened and delivered at a faster pace than new

orders are being placed. With its current orderbook of 63 vessels valued at \$1.3 billion, Hyundai Heavy Industries, Korea's largest shipbuilder in terms of facilities, said it can keep its shipyard at Ulsan working until early 1986. The company indicated that the yard is now operating at 70 to 80 percent of capacity.

Daewoo Shipbuilding and Heavy Machinery Ltd., Korea's newest shipyard inaugurated just three years ago, has contracted to build 66 vessels valued at \$1.5 billion. The company estimates that the orderbook plus an additional \$300 million in contracts for plants and offshore structures should keep the yard based on Koje Island fully occupied until late 1985.

While that date is still a year away, shipbuilders would be more comfortable with a longer, healthier backlog. For new orders, this year is bleak compared to the last. As of the end of August, according to the Korea Shipbuilders Association, Korean yards had received

orders for 68 vessels valued at \$960 million, with gross weight tonnage totaling 1.6 million. Last year at the same time, the Koreans had twice as many new contracts in hand.

Korea's other two major shipyards, Korea Shipbuilding and Engineering Corp. and Samsung Heavy Industries, have also felt the pinch from declining export orders. Together with Hyundai and Daewoo, the four companies account for 90 percent of the country's shipbuilding capacity.

There is a general consensus in the industry that the slump in shipping worldwide, still plagued with too few cargoes for far too many ships, means that orders for new tonnage are not expected to pick up before the end of 1985 or even well into 1986.

There is little sympathy among shipbuilders around the world for the current Korean dilemma since European shipyards, in particular, have felt the downturn in shipping and the paucity of new orders far earlier.

The fierce competition over scarce contracts in recent years has been mainly concentrated in Japanese and Korean shipyards trying to outbid each other on price, delivery dates and financing terms. Last year, the Japanese were far more successful, capturing 56 percent of all new orders. Koreans won 19 percent and Western European yards landed 10 percent.

But there has been no recurrence of stunning orders this year to rival last year's massive order for 100 bulk carriers that the Japanese Sanko Steamship Co. placed with Japanese shipyards or the new very large 12-vessel container fleet or-

dered by U.S. lines with Korea's Daewoo shipyard.

Unlike the Japanese, Korea has few domestic ship orders to fall back on when orders from overseas fall off. Korea's shipbuilders face the prospect that dwindling orders may require some of their well-trained, low-cost labor force to be retrained for other industries.

Hyundai Heavy Industries, with its seven building docks, one large enough for a 1-million DWT vessel, and one shipyard, has managed to show a profit, albeit slim, every year since 1980. In 1983, profits were about \$38 million on sales of \$1.4 billion.

Earlier this year, offshore structure activities were merged with a division of Hyundai Engineering and Construction specializing in offshore work to form the new Hyundai Offshore Development. The company, also located in Ulsan, has no dock but has a large yard for fabricating jackets and platform modules. The company hopes to be better positioned to market its services in the new format.

Daewoo shipbuilding had its first profitable year last year with profits of \$7 million on sales of \$620 million. The company inaugurated a second dock in mid-1983 for repair and conversion work that can accommodate a 350,000 DWT vessel, adding to its 1-million-DWT capacity main dock.

Now that Korea has established the reputation of its shipbuilding industry as an efficient, highly competitive newcomer, it has to demonstrate its skill in staying afloat until the shipping market recovers and shipowners once again want new tonnage.

CONTRIBUTORS

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NYSE Most Actives			
Symbol	Open	High	Low
IBM	118.50	119.00	118.00
AT&T	24.50	24.75	24.25
GE	28.50	28.75	28.25
AMT	11.50	11.75	11.25
W	11.50	11.75	11.25
IBM	118.50	119.00	118.00
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Dow Jones Averages			
Index	Open	High	Low
Industrial	1184.50	1185.00	1184.00
Transportation	1184.50	1185.00	1184.00
Utilities	1184.50	1185.00	1184.00
Composite	1184.50	1185.00	1184.00

NYSE Index			
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Industrial	1184.50	1185.00	1184.00
Transportation	1184.50	1185.00	1184.00
Utilities	1184.50	1185.00	1184.00

Friday's NYSE Closing			
Index	Open	High	Low
Composite	1184.50	1185.00	1184.00
Industrial	1184.50	1185.00	1184.00
Transportation	1184.50	1185.00	1184.00
Utilities	1184.50	1185.00	1184.00

AMEX Diaries			
Index	Open	High	Low
Composite	1184.50	1185.00	1184.00
Industrial	1184.50	1185.00	1184.00
Transportation	1184.50	1185.00	1184.00
Utilities	1184.50	1185.00	1184.00

NASDAQ Index			
Index	Open	High	Low
Composite	1184.50	1185.00	1184.00
Industrial	1184.50	1185.00	1184.00
Transportation	1184.50	1185.00	1184.00
Utilities	1184.50	1185.00	1184.00

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12 Month High Low Stock Div. Yld. PE 100 High Low Close

Symbol	Open	High	Low	Close
IBM	118.50	119.00	118.00	118.50
AT&T	24.50	24.75	24.25	24.50
GE	28.50	28.75	28.25	28.50
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W	11.50	11.75	11.25	11.50

Prices Are Mixed on the NYSE

By Alexander R. Hammer

New York Times Service

NEW YORK — Prices on the New York Stock Exchange, which have been under pressure most of this week, finished mixed on Friday in more active trading.

The Dow Jones industrial average ended the session down 4.86 points, to 1,182.53, thus decreasing its loss for the week to 24.18 points. But, in the overall market, advancing issues narrowly outpaced those that fell by 762-to-675.

Analysts attributed the market's current depressed state to a multitude of factors. These included investors' fears that the apparent slowdown in the economy may worsen and weaken corporate profits.

They also noted that Wall Street is concerned that interest rates may remain high over the near-term and that there was anxiety over the outlook for inflation, the huge federal budget deficits and the overextended loan problems of some banking institutions.

Equities discounted the strong price gains in the credit markets Friday as well as the news before the opening that the unemployment rate in September fell to 7.4 percent from 7.5 percent the month before.

Volume expanded to 83 million shares from 76.7 million shares the day before. For the week, turnover on the exchange contracted to 415.1 million shares from 450.3 million shares in the previous week.

Suresh Bhurud, portfolio strategist for First Boston Corp., commented that the lack of clear evidence that the Federal Reserve "is easing its monetary policy, which tends to weaken inter-

est rates," is another factor for the market's weakness.

He also pointed out that there currently is no group leadership in the market and "stock selection is like walking through a mine field."

Caterpillar was among the big losers Friday, dropping 2 1/2 points, to 31 1/2, in very heavy trading. Analysts attributed the stock's weakness to expectations that directors will cut the 37 1/2-cent quarterly dividend at their meeting next week.

Last week, the company disclosed it would have a loss for its third-quarter and perhaps for the entire year because of a recent drop in construction machinery sales.

Procter & Gamble lost 2, to 53 1/2, after an analyst at Salomon Brothers cut his earnings estimates for the company. He said the consumer-products concern could earn \$1.40 a share in the third quarter and not the \$1.55 a share he previously projected.

Honeywell fell 3 1/2, to 54 1/2, following its announcement late Thursday that it expects flat third-quarter operating profits. Among the other weaker technology issues, Teleadyne slipped 3, to 28 1/2, and Texas Instruments was down 1, to 12 1/2.

Campbell Soup, which has been strong recently on takeover rumors despite denials by the company, advanced 2 1/2, to 68 1/2.

AMP Inc. was off 1 1/2, to 29 1/2, reflecting its announcement Thursday that third-quarter sales will be lower than previously expected.

National Intergroup, which agreed to a merger with Bergen Brunswig Thursday, rose 2, to 29. The latter stock, which trades on the American Stock Exchange, closed up 2 1/2, to 23 1/2.

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AMT	11.50	11.75	11.25	11.50
W	11.50	11.75	11.25	11.50

12 Month High Low Stock Div. Yld. PE 100 High Low Close

Symbol	Open	High	Low	Close
IBM	118.50	119.00	118.00	118.50
AT&T	24.50	24.75	24.25	24.50
GE	28.50	28.75	28.25	28.50
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(Continued on Page 14)

By LEONARD SILE
New York Times Service

Has the economic slowdown already begun? The answer is probably yes.

If a recession is already in the works, the electorate will not know it before the Nov. 6 election. It seems clear that no recession had begun in September, and if it were to begin in October the data would not be available.

(a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (1")
Units of 100 (x) Units of 1,000 (v) Units of 10,000
N.O.: not needed; N.A.: not applicable

Sources: Commerzbank, Bank of Tokyo, Lloyd's Bank

By-Jane Seaberry
Washington Post Service

said that the unemployment rate reached a plateau over the summer and that increased job growth is needed to push the unemployment rate down further.

rose 31,000 to 147 million.

House, Senat

A major provision would extend for 8½ more years tariff preferences that the United States now



If it were ever considered appropriate corporate behavior to bask in the glow of achievements, now would surely seem to be the time for Rockwell to do

Reviewers

_____ associate of _____

Anglo American had still. The transaction was an

Rate of exchange: AUG. 1984.

By Lynne Curry

ge Rescue

Monday, _____

Country

BUSINESS ROUNDUP

ARA Board Backs New Buyout Bid by Executives

PHILADELPHIA — The board of ARA Services Inc. has unanimously approved a new \$890-million leveraged buyout that was proposed by its top executives, the company announced Friday.

The ARA officials, including the board chairman, Joseph Neuberger, will pay \$62.50 in cash and subordinated debentures with a face value of \$9.25 for each of the company's 124 million common shares outstanding, the company said in a statement.

In mid-September, ARA rejected

an offer by executives to purchase the company for \$874 million. The offer involved payment of \$62 in cash and subordinated debentures of \$8.50 for the diversified services company's shares outstanding.

In July, ARA rejected an offer by a group led by a former ARA executive, William Siegel. That group had offered to acquire the company for \$720 million, or \$60 per share, in a leveraged buyout.

In a leveraged buyout, a purchase is financed almost entirely with borrowed money. The debt is

paid off with revenue generated by the acquired company or through the sale of its assets.

The 15-year debentures in the plan announced Friday will pay 16.5 percent interest. They will be subject to mandatory redemption of 20 percent of the face amount on each of the last four years.

The company said the group of investors is headed by Mr. Neuberger, also the president and chief executive officer, and includes about 74 other top company officials.

The transaction is subject to de-

finitive financing and approval by stockholders.

The board also said the company has agreed in principle to the settlement of four lawsuits that allege that the merger transaction, as originally proposed, was unfair to holders of common stock.

ARA is a diversified company that provides basic services for industry and government, including food and refreshment, textile rental, maintenance and laundry, periodical distribution, transportation and health and child care. The company employs 116,000 people.

Paper Discloses A Lloyds Memo Criticizing Bank

LONDON — A Lloyds Bank International internal document criticizing the bank's profit and bad-debt performance, quoted in London's Standard newspaper, was written to motivate management and staff, the bank's parent, Lloyds Bank PLC, said Friday.

In the first half of 1984, the unit's pretax profit fell 17 percent from a year earlier to \$30 million (\$59 million), largely because of problem loans. The document described the performance as "feeble."

In trading Friday on the London Stock Exchange, Lloyds shares fell to 492 pence (\$6.10) a share, down 12 pence.

The paper quoted the bank's chief executive officer, Eric Whitte, as saying the bank plans remedial action to cut costs, "however painful this might be."

French Firm to Supply Pipe

PARIS — Solac, a subsidiary of Sallier, the French government-owned steel company, will supply 60,000 metric tons of spiral steel pipes to All-American Pipeline for use in linking Texas refineries to California oil fields, Solac announced Friday.

U.S. Approves Arco Sale to Alcan But Insists on Joint Venture for Mill

WASHINGTON — The Justice Department approved on Friday the sale of most of Atlantic Richfield Co.'s aluminum assets to Alcan Aluminum Ltd. but only after forcing an unprecedented agreement that would bar Alcan or any other major aluminum producer from getting control of Arco's new mill.

For the first time, the department's antitrust division convinced two competitors to resolve a potential antitrust problem by restructuring part of their deal as a joint venture rather than an acquisition.

That type of solution was first advocated by Assistant Attorney General J. Paul McGrath, head of the department's antitrust division, earlier this year when he looked at two controversial steel mergers. But the steel companies did not take his suggestions, and their cases were resolved in different ways.

Under the revised transaction, Montreal-based Alcan, the largest aluminum producer outside the communist countries, will acquire most of the aluminum assets of Arco, a major oil company based in Los Angeles.

But under the agreement, Al-

can's interest in Arco's just-completed rolling mill in Logan County, Kentucky, is limited to 40 percent. A joint venture would be established to run that mill, and for the next 10 years, the remaining 60 percent would be owned either by Arco or any company other than a major aluminum producer.

Arco said it would seek a buyer for its interest in the plant, the only aluminum rolling mill built in this country in more than a decade. The facility was designed to produce aluminum can body stock, a sheet product used to make beverage cans, and was to be Arco's means of moving into that business.

In the original sale announced Jan. 5, Alcan was to pay Arco cash and securities valued at between \$600 million and \$1 billion.

The case also is one of the first in recent years based on allegations that section 7 of the Clayton Act would be violated by a deal that reduced potential rather than actual competition. The section prohibits mergers or acquisitions that tend to substantially lessen competition.

Jardine Ponders Singapore Move

HONG KONG — Jardine, Matheson & Co. said it would not comment on the decision announced Thursday by the Monetary Authority of Singapore to withdraw approval for Jardine Fleming (Singapore) Pte. Ltd. to operate as a merchant bank.

The Singapore unit is equally owned by Jardine and by Robert Fleming & Co. A Jardine spokesman said that the merchant bank's parent company, Jardine Fleming Holdings Ltd., would issue a statement later.

Robert Fleming's deputy chair-

man, David Thomas, said in London that his company was surprised by the decision and would seek further clarification from Singapore. The MAS had said that the bank's conduct of its merchant banking activities had been unsatisfactory.

The Singapore unit is equally

owned by Jardine and by Robert

Fleming & Co. A Jardine spokes-

man said that the merchant bank's

parent company, Jardine Fleming

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Union, Nissho Iwai Weigh Dome Move

TOKYO — Nissho Iwai Corp. and a Canadian unit of Union Oil Co. of California have been discussing a takeover with other partners of Dome Petroleum Ltd.'s liquefied natural gas project, Nissho Iwai said Friday.

Nissho Iwai's president, Masaru Hayami, gave no details, but company sources said the group would have about \$500 million of capital.

Nissho Iwai and Union Oil Canada would each hold 10 percent, and Dome is seeking to retain 30 percent. The sources said the company would build a liquefaction plant on Canada's west coast.

COMPANY NOTES

American Telephone & Telegraph Co. said it filed with the Federal Communications Commission to reduce its telephone rates starting Nov. 19 to Britain, France, West Germany, Italy, Ireland and Australia as part of an overall revision of its international rate structure.

General Motors of Canada Ltd. will almost certainly face a strike by the United Auto Workers union, the UAW director for Canada, Robert White, said after the company made its first economic proposal to the union, 12 days before a strike deadline.

Chief & Western Industries Inc. said that it reached an agreement to sell its sugar operations in Florida

and the Dominican Republic to a group of investors for an undisclosed amount. The investors include Alfonso Panjui and his brother, Pepe Panjui of Palm Beach, Florida.

Kanawha & Broad Inc. said it has entered into an option agreement giving it the exclusive right to acquire Capital Life Insurance Co. from Providence International. The company said the option expires on Oct. 29.

NEC Corp. of Japan said it is negotiating a project to produce personal computers in China on a knock-out basis with major parts supplied from Japan. A NEC spokesman said that it is not clear whether the project would be a

joint venture. He gave no further details.

NV Philips's Signetics Corp. subsidiary said it expects revenue this year to rise to between \$725 million and \$740 million from \$415 million in 1983.

Stone Darby Ltd.'s profit outlook is bleak for the year ending June 30, the chairman, Tan Siew Sin, said in the annual report. He attributed the possible drop in earnings to weak commodity prices and the lull in the timber industry that has affected sales of heavy equipment. In the year ended last June, group pretax profit was 21.4 million Malaysian dollars (\$90 million), up 93 percent from a year earlier.

Rockwell Draws Fire of Analysts Over Reliance on Defense

(Continued from Page 13) disapproval of the stewardship of Robert Anderson, who succeeded him as chairman and chief executive, Mr. Rockwell resigned from the board.

"I don't like the way they're going," he said. "The company is sitting on a billion and a half dollars in cash. I thought they were passing up too many opportunities" by not quickly making acquisitions. Too much of the company's future growth, he said, is dependent on the B-1 and on exports of military equipment.

"The company has brought the early day of reckoning upon itself. In a move that has been called politically motivated, Rockwell has been speeding production of the B-1, which now accounts for one-third of its revenue. The company reasons that an acceleration of the timetable could extend the program, rather than end it. If it were brought to a close several years before the projected start-up of Northrop Corp.'s Stealth bomber program in the 1990s, that could create a military jobs vacuum, a situation that would be politically untenable, if so Rockwell's management thinks."

Despite the uncertainty that accompanies military contracts — and the cash hoard that the company could use to diversify out of them — Rockwell seems to be making an ever greater commitment to the Pentagon.

Since Mr. Anderson, who is 63

years old, succeeded Mr. Rockwell as chief executive in 1979, and later as chairman, his actions have long been heavily influenced by military and space contracts. Nearly two-thirds of the company's revenues and half its profit now come from government contracts — including work on the MX missile, the navy's communications satellite program and the Hellfire tactical missile for the marines.

And, Mr. Anderson insisted, that's where much of Rockwell's future growth lies. "We haven't made any big acquisitions and I doubt that we will," said Mr. Anderson, who was recruited by Mr. Rockwell from Chrysler in 1968 to run the company's brake and axle division. "Our view is that we're already in four strong businesses." In addition to brakes and axles and the military business, they are electronics and printing presses, valves and meters.

Clearly, Rockwell is moving aggressively to win more government business. The company has set its sights on the Pentagon's next fighter aircraft. It wants to build the \$8-billion space station for the National Aeronautics and Space Administration that is to be placed in permanent orbit. If the political cards fall right, the company can expect authorization for another \$2-billion space shuttle and an order for another 100 bombers. The first 100 B-1s represent a \$25-bil-

lion investment for the United States.

Specifically, Rockwell is banking on Congress to authorize more planes before the 1986 congressional elections because politicians would be anxious to save the jobs of the 20,000 workers in 48 states who are working on the B-1 program.

If that view proves correct, it will not be the first time that Rockwell has profited by keeping its finger in the political wind. After the B-1 was canceled, "I received strong encouragement even from Carter's Secretary of the Air Force to continue our program. We never lost confidence that the nation needed the program," Mr. Anderson says. He concedes there are political risks involved in such a heavy reliance on military budgets. "I hope he's re-elected for the sake of this program," Mr. Anderson says of Ronald Reagan and the B-1.

In fact, Mr. Anderson has worked hard to cultivate strong ties to the Reagan administration and his efforts seem to have paid off. Mr. Reagan appointed him to the Presidential Commission on Industrial Competitiveness and twice named him chairman of National United Nations Day.

"Our view is that the nation will need more of what we produce," he said, "Congress is sympathetic. The president is sympathetic."

But Wall Street is not. Regardless of what Mr. Anderson says about the company's lack of inter-

vention plan, and the accident is not expected to interrupt the production schedule. Rockwell now expects to deliver seven planes by the end of fiscal 1985, up from the two originally planned. In fiscal 1986, the production line will turn out 32 planes (compared with 18 under the original schedule), reaching its peak rate of four a month by September. Revenue from the program is expected to reach \$2.5 billion this year, \$3.5 billion in 1985 and \$4.2 billion in 1986, fully a third of the company's sales in all three years.

The company's decision earlier this year to accelerate production of the B-1, which had been abruptly canceled by the Carter Administration in 1977 and reinstated by the Reagan administration in 1981, is perpetuating controversy at Rockwell. "They're taking a highly risky approach," said Mr. Nissho of Prudential-Bache. "They're shortening their decision time as to what to do next."

Under a plan laid down in 1981 for B-1 production, the first plane was due to be delivered in February 1985. Now, however, it is scheduled to make its first flight before November's presidential election. The company's plan to accelerate production is likely to stay on course, despite the crash in late August of a prototype of the bomber, used only for testing. The Pentagon attributed the crash to the plane's effort to avoid colliding with a trailing ob-

jection plane, and the accident is not expected to interrupt the production schedule.

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EUROPE

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[illegible]**NASDAQ National Market Prices**[illegible]

Reuters
KARACHI — Pakistan hurt

The bank said the rule was circulated for loans that carry interest not exceeding 1.5 percentage points above the London interbank rate. It said agreements for foreign private loans and suppliers' credits will automatically be approved by the bank.

[illegible]

Padres Turn Tide With 7-1 Triumph; Cubs Still Lead, 2-1

"We were expecting to roll in on the bus, jump into our cars and go home," Templeton said. "And then we found all these people saying 'We believe in you, we have confidence in you.'"

One of the people who made a point of showing her support was Joan Kroc, team the owner whose late husband, Ray, once tried to

will have to be done by the Padres. Steve Garvey recalled a precedent — when the Dodgers rallied from an 0-2 deficit to Houston in the 1981 spring-season playoffs to win.

"Last time I was in this position, we had three days left to make history," Garvey said. "Now I'm hoping to be part of history repeating itself."

4 Share Top Spot in Texas Open Golf

SAN ANTONIO (UPI) — The San Antonio Spurs have traded the veteran guard John Lucas to the Houston Rockets for forward James Bailey, a 1985 second-round draft choice and future considerations.

The National Basketball Association trade was completed Thursday three hours before the Spurs met the Rockets in an exhibition game in San Antonio, which the spurs won, 125-95.

"This really isn't a trade," Lucas said. "I'm just going up the road." In addition to Lucas, the Rockets received a 1985 third-round draft pick, which the Spurs had received from Atlanta last fall as compensation for Billy Paulty.

NEW DELHI (AP) — Juan Antonio Samaranch, president of the International Olympic Committee, said Friday that the Olympic Games were not affected by the boycotts in 1980 and 1984.

"The Moscow Games were very, very successful and the Los Angeles Games were very, very, very successful," Samaranch said at a news conference here. The ultimate success of the Games were not affected by the two boycotts, he said.

The Organization of African Unity expressed "dismay and indignation" Friday over the current tour of South Africa by the Argentine rugby team. From its headquarters in Addis Ababa, the OAU called on the international community to condemn the move. (AFP)

Kevin McReynolds of the Padres watching his home run sail over the wall; Keith Moreland of the Cubs angry at being called out on strikes in Game 3 of the National League playoffs.

That's a problem," Howser said Thursday when asked how a manager appropriately motivates a team that is in a position of trailing by 2-3 in their first five series, a situation that only the 1982 Milwaukee Brewers have survived. "That's why I plan to say very little. Good players get tired of

Britain's top jockey, Lester Figgott, who was to have ridden the four-year-old Tenebris, switched to another British horse, Rainbow Song, owned by Sheikh Abdullah. The King rode French jockey Yves Saint-Martin, who had aboard Sagace, a highly regarded four-year-old owned by the art dealer Dyrce

Seddler's Well, owned by British sportsman Robert Sangster, finished second in the Prix de Jockey Club. Duhaikan and second in the King were 19 to 1. As a result, the trained mounts in this year's races and for the first time in years, Aga Khan's colors will not be so regrettably

"I tied about 1,000 percent more comfortable with the offense than I was during the exhibition season," he said. "A lot of it has to do with keeping things real simple, which we have had to do because we have so many young people in the offense, especially in the offensive line."

Maximo, meanwhile, will appear before the hometown fans as the top-ranked quarterback in the league, having completed 101 of 155 passes for 1,527 yards and 15 touchdowns. He has thrown only three

67 yards to become the league's all-time rusher. But don't be too sure he'll get them. The Saints' run defense has given up fewer yards each of the last three games. The defense was so good against Houston last Sunday that it forced Warren Moon out of the game and yielded only 133 yards overall. The Bears, meanwhile, still have quite a few problems. Coach Mike Ditka said he would decide Friday whether to start Jim McMahon, who has a bad throwing hand, Rusty Lisch or Steve Fuller, who was activated from the injured list only this week. (Chicago by D)

Houston Oilers (0-5) at Cincinnati Bengals (0-5) — This one may remind you of a game last year, when Houston played Tampa Bay and they were both 1-11. Tampa Bay won it, and Cincinnati will probably win this one, too. But the Bengals have a great quarterback because of Ken Anderson's sore back. The Bengals' defense is better, more active and has more interceptions, 5-2, than Houston's. The Oilers' offense has played poorly. They have not run for more than 84 yards in each of the last four games, and their

San Diego Chargers (3-2) at Green Bay Packers (1-4) — Despite the record, this may be the best Packers team in some time. The defense is now playing respectably, although the secondary might need a slight realignment because of an injury to the strong safety, Willie Wood. But the offense is still very healthy, the Chargers should be too much for the Packers, who have now lost four straight, the last in overtime to Tampa Bay. One hopeful note for the Packers, though: Before losing, 30-27, they had not scored more than a touchdown in three consecutive

4) — Nothing would help the Browns more than some help to hold the offensive line together. At his best, Paul McDonald is not a great quarterback. He's not a runner and his arm has only so-so strength. With Ken Stabler, the Browns' backup, the Browns would have a better offense. Sunday's game was a disaster for the Browns. The Redskins' running game was so good that better, controlling the clock. Helping the Redskins play fewer drives and giving the Browns a man time off from throwing. The Colts played a fine game Sunday, winning for the second time, but the victory, 31-17, was not that significant. It was over Buffalo. (Washington by 7%)

Football

European Soccer

Baseball

National Football League Leaders

AMERICAN CONFERENCE				NATIONAL FOOTBALL LEAGUE			
TEAM OFFENSE				TEAM OFFENSE			
	Yards	Runs	Pass		Yards	Runs	Pass
San Diego	3134	405	1881	Green Bay	3000	382	1617
San Francisco	2929	263	1358	Atlanta, La.	2878	377	1523
Cincinnati	1930	373	1257	Starring, N.E.	2870	361	1508
Los Angeles	1774	308	1288	Brook, C.	2867	359	1499
N.Y. Jets	1648	357	1099	Denver	2827	344	1272
Indianapolis	1429	319	876	Oakland	2679	319	1170
A.L. Raiders	1401	459	1131	Minneapolis	2670	409	1051
Seattle	1401	648	961	San Francisco	2661	648	961
Buffalo	1533	482	1055	Los Angeles	2658	482	1055
San Diego	1449	295	779	Atlanta, La.	2658	482	1055
Houston	1365	375	992	Portland, Ore.	2658	482	1055
Cleveland	1356	419	863	Campbell, H.	2658	482	1055
				Members, P.			
TEAM DEFENSE				TEAM DEFENSE			
	Yards	Runs	Pass		Yards	Runs	Pass
Cleveland	1283	590	763	Stark, Ind.	1283	590	763
Atlanta, La.	1471	302	818	Minneapolis	1471	302	818
A.L. Raiders	1497	496	763	San Francisco	1497	496	763
Seattle	1441	612	672	Roby, Mo.	1441	612	672
New England	1686	595	1071	Los Angeles	1686	595	1071
San Diego	1645	645	795	San Diego	1645	645	795
Denver	1760	511	1139	Col. Chev.	1760	511	1139
Los Angeles	1726	612	1155	Starring, N.E.	1726	612	1155
San Francisco	1774	646	1176	Providence, R.	1774	646	1176
Cincinnati	1799	594	1205	Hartford, Conn.	1799	594	1205
Houston	1884	732	1072	Colwell, P.H.	1884	732	1072
Indianapolis	1887	726	1190	MATTS	1887	726	1190
San Francisco	1887	537	1241				
Buffalo	1895	675	1154				

INDIVIDUAL Quarterbacks				
ATT	COM	YDS	TD INT	
15	10	107	15	San Francisco
				Dallas
Arlene, M.L.	95	41,724	4	Atlanta
Smith, R.E.	145	59,186	6	2
Fouts, B.D.	178	171,143	5	5
Turner, S.D.	172	100,747	7	1
Payne, I.D.	169	65,143	6	5
Wynn, N.Y. Jets	146	85,108	3	5
Anderson, H.	149	64,102	4	3
Wade, C.	137	70,078	7	2
Waters, C.	138	88,114	3	3
Shaw, D.A. Raiders	140	96,124	4	4
Thurman, D.	168	58,419	2	5
Wright, D.	137	60,078	3	3
McDonough, Clev.	109	50,113	3	11
Runners				
NO	YDS.	AVE	LG	TD
1	40	40	21.4	80
2	37	37	33.0	80
3	37	37	33.0	80
4	37	37	32.8	27
5	37	37	32.8	27
6	36	36	32.6	51

Ch.	34	372	15.1	46	1	Washington	37
Def.	23	258	11.2	31	1	Deford	37
Players	34	203	8.5	30	1	S. Lewis	18
	23	207	14.9	65	3	Philadelphia	18
	25	236	6.2	13	0	Minnesota	18
Rushers							INDIVIDUAL
ATT	YDS	AVG	LG	TD		Quarterbacks	
Def.	104	448	4.2	33	2	ATT	YDS
	104	448	4.2	33	2	Def.	104
	38	394	4.6	30	3	Daniels, Don	127
	78	363	4.9	16	4	Borowickski, A.L.	127
	78	363	4.9	16	4	Marino, T.J. Giants	177
Players	34	344	3.7	38	5	Larned, S.L.	172
	172	388	3.0	13	3	Thompson, Don	174
	172	388	3.0	13	3	Thompson, D. Wash.	174
Def.	77	231	2.9	23	4	Jeworaki, Phil	192
	46	236	3.5	31	1	DeLoe, N.A.	158
Passers							Def.
NO	YARDS	LONG	AVG			TOOK	NO
	29	1230	7.2	43.9		Def.	29
	22	1049	6.1	45.9		Dickay, G.B.	97
	16	612	4.2	45.2			
	16	77	6.6	44.8		Rushers	
Players	29	1238	6.3	42.7		NO	YDS
	28	1238	5.7	41.8		Def.	29
	16	77	9.1	41.8		Jones, Don	22
	34	1071	3.1	41.2		Kenn. West.	31
	34	1071	3.1	41.2		Conner, Carl	31
	34	1071	3.1	41.2		Batterson, A.H.	32
	34	1071	3.1	41.2		Tilley, S.L.	32
	34	1071	3.1	41.2		Dorset, Don	32
	34	1071	3.1	41.2		Jefferson, J. Giants	32
	34	1071	3.1	41.2		Dorset, Don	32
GENERAL CONFERENCE							Memoriam, Phil.
TEAM OFFENSE							Wilder, E.T.
Yards	Rush	Pass	Penalty	Interception			23
	104	448	4.2	33	2		

TEAM DEFENSE			Robbers		
Yards	Runs	Poss	ATT	YDS	ATT
1840	777	1070		621	111
1847	507	1323		511	111
1850	780	1059	Portno, Ch.	114	617
1715	1041	875	Wicks, A.L.	114	617
1755	763	1033	Rider, A.L.	124	523
1675	718	935	Dickerson, L.A. Rams	115	478
1653	683	1259	Tyler, S.J.	87	497
1616	816	914	Wicks, A.L.	116	444
1485	755	849	Sims, Del.	77	433
1575	625	940	Anderson, Mike	79	387
1426	412	1024	G. Rogers, N.C.	105	361
1212	486	1024	Dorsett, Del.	107	327
1212	513	1024			
			Powers		
Yards	Runs	Poss	YDS	PTS	YDS
1840	777	1070		621	111
1847	507	1323		511	111
1850	780	1059	Seiborn, G.B.	28	10
1715	1041	875	Black, Del.	28	10
1755	763	1033	Gardis, T.S.	25	10
1675	718	935	Jennings, N.Y. Giants	21	10
1653	683	1259	Glennerson, A.H.	19	8
1616	816	914	Glennerson, A.H.	30	8
1485	755	849	Coleman, M.M.	20	8
1575	625	940	Miska, L.A. Rams	27	17
1426	412	1024	Black, Del.	14	5
1212	486	1024	Alsting, S.J.	21	0

[October 24 and November 7]
HSEA CUB

[illegible]

VG	16		SAN ANTONIO—Traded John Lucas,
L	7	TD	sword, to the Houston Rockets for James
W	50		Bailey, second-round draft choice.
50	57		SEATTLE—Signed the contract as
41	37		Ricky Sobers, sword.
42	8		UTAH—Cut Marcel Haller and Jay
38	2		Thomas, swords, and Chris Harrison, forward.
38	16		
56	81		FOOTBALL
49	23		National Football League
49	21		L.A. RAIDERS—Traded Calvin Athum-
34	15		mond wide receiver, to Washington in ex-
			change for an undrafted draft choice,
			and McCull, running back, to the In-
DWG	AUG		diana rule-raft. Signed Gus Davis, de-
39	45		fensive tackle.
40	46		TU LOUH—Placed Wayne Morris, full-
20	54		back, on injured reserve.
20	54		TAMPA BAY—Placed Melvin Carter, run-
31	42		ning back, on injured reserve.
31	42		WASHINGTON—Waived Walt Arnold, full-
39	44		back.
39	44		
38	41		United States Football League
38	41		ARIZONA—Signed Lance Hek and Milt-

CUP WINNERS' CUP **Dernier of**
Dumaine Breeder, Inc. **Sodbury 2b**

Portuano Stiffard vs. Wislawa Krakow
 Evarta vs. Inter-Broslawa
 Krasna Klesow vs. Hordas Sopot
 Bayern Munich vs. Trakia Plovdiv
 Roma vs. Wroclaw
 Krasna Klesow vs. Raskol Plovdiv
 Lartase vs. Servette
CHAMPIONS CUP
 Liverpool (holder) vs. Benfica
 Dynamo Berlin vs. Austria
 Lyndal Seacht vs. Dinser
 Bayern Munich vs. Leipzig
 Sport Prague vs. Lyubav
 Borussia vs. Dynamo Scharner
 FC Colabaire vs. Bayern
 Juventus vs. Grasshoppers

L-O-S ANGELES-Sent Dave Hankins, right wing, and Allan Tour and Howard Skorsky, defenseman, to New Haven of the American Hockey League. Returned Eric Willis, center, to junior league.

MONTREAL-Sent Ric Natheas, defenseman; John Newberry, center, and Greg Nash, left, postholder, to Sherbrooke of the American Hockey League.

NEW JERSEY-Sent Dave Dietrich and Kent Denavels, defenseman; Sam S. Laurent, goal tender, and Rodney Trimler, forward, to the Los Angeles Kings of the NHL. Recalled Mickey Wilson, right wing, from Maine of the American Hockey League. Recalled Paul Kierney, forwards, to Maine of the American Hockey League.

N.Y. RANGERS-Signed Ron Grieschner, defenseman; Sam Gordy DeGria, right wing, to New York City of the American Hockey League. Signed Gerry D'Amico, right wing, to Quebec.

QUINCY (American Hockey League)-Signed Doug Hunter, center, to a three-year contract.

VANCOUVER-Returned Dave Simons, forward, to Seattle of the American Hockey League.

Detroit &

San Diego?

Kansas

X-Kansas City

X-Chicago

X-Kansas City

X-N.H.

make up

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3010	Martinez H	3000		
3000	Tymosh us	3112		
2000	Whitson p	2000		
0000	Gossage p	0000		
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Cops San Diego 120 -- Gervase.				
Templeton, Sanders, HR--				
(1), BP -- Sanders (1).				
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	12-3	2	2	0
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Wednesday's Results				
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ART BUCHWALD

The Carter Connection

WASHINGTON — "Mr. President, I'm updating your biography for the final weeks of your campaign, and I just have a few questions to ask you, if you don't mind."

"Go right ahead."

"Okay, when you grew up you were quoted as saying your father was never a financial success, and while you didn't live on the other side of the tracks, you were to hearing distance of the train whistle. Can you explain this?"

"I would say it was all President Jimmy Carter's fault. You know his irresponsible fiscal policies brought on the 1929 stock market crash and the depression."

"Yes, sir. But you were a boy before the stock market crash and the depression."

"That's correct, but Carter got us into World War I, and when the boys came home there was inflation and high interest rates that led to the crash and the depression."

"Let's go on. You decided to go to Eureka College in Illinois. Why Eureka?"

"I really wanted to attend the University of Illinois. But there was this admissions officer who turned me down."

"Can you remember his name?"

"Wait a minute, it will come to me. Now I've got it. His name was Carter — J. Carter."

"So you went to Eureka, played on the football team and majored in dramatics."

"I would have made all American, except one guy on the committee voted against me."

"Do you recall who it was?"

"I don't remember his name, but I think he was a peanut farmer from Georgia. He never voted for any player above the Mason Dixon line."

"You were a very good actor in school and your biggest desire was to go into the theater. Why didn't you?"

"I was pretty hard to break into the business then because all the theaters in the Midwest were con-

trolled by the Carter brothers. I became a radio sports announcer instead. I was good at it but I really wanted to become a movie star. So I went to Hollywood. I applied at one studio for a job, but a casting director, a guy named Carter, told me I had no talent. Fortunately the Warner Brothers saw it another way and hired me for \$200 a week."

"Where you made mostly 'B' movies?"

"That wasn't my fault. Jack Warner had a family working for him named Jimmy C., and he never put me in the real big ones. I don't begrudge him, because if I had made it as a great star, I would have never become president of the United States."

"Now let's go on to the war years. You spent all of it in the Air Force in Hollywood making films."

"I tried desperately to get assigned overseas. But I had a chicken commanding officer, a General Carter, and he wouldn't transfer me. I never forgave him for that."

"Moving along. After you were discharged you were made the head of the Screen Actors Guild, and became disenchanted because the Communists were trying to take it over."

"That's correct. I'll never forget one union leader who got control of the electricians, the musicians, the grips and the painters, and turned them all into Reds. You want his identity?"

"Don't tell me. I think I can guess. Were you prevented from getting good because of your anti-Communist stand?"

"Well, Carter didn't make it any easier on me."

"I have all the stuff on you working for General Electric and then going into politics and finally becoming governor of California. One last question —"

"Mr. President, excuse me for interrupting, but we have just received word from Beirut that our embassy was blown up by a suicide truck loaded with dynamite."

"Damn, I knew something like this would happen when my predecessor dismantled the CIA."

"Are we talking about the same person?"

"Who else? But to my statement to the press, let's not use any names."

Robert Benton: Deep in the Heart of Texas Places

By Leslie Bennetts

New York Times Service

NEW YORK — When Robert Benton was a boy growing up in Waxahachie, Texas, family stories were as much a part of the atmosphere around him as the heat and dust of a scorching Texas summer.

His family had lived in Waxahachie for five generations, and there were several times as many tales as there were aunts and uncles and cousins and grandparents, since there were at least two or three versions of each story — like the one about his daddy's brother, who started having an affair with a very young lady and was shot to death by her outraged father, or the one about his daddy's other brother, who was also shot to death, by a man who chased him down Main Street in a Model-T Ford, firing all the way, for reasons never entirely clear but having to do with the bootlegging wars raging in the area at the time.

Then there was the story of little Robert's great-grandfather, the local sheriff, who got called away from Sunday dinner one quiet afternoon to go down to the railroad track and pacify a drunk. The drunk shot him; the sheriff's body was brought home and laid out on the dining room table, and his killer — who was black — was caught and murdered by a white mob that dragged his body through the streets, past the house of the sheriff's widow and four children.

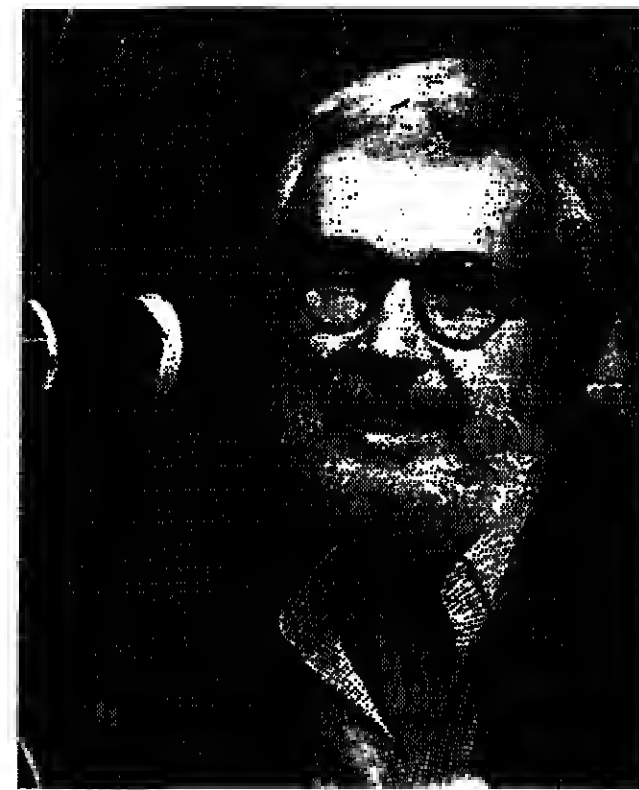
Robert Benton grew up to live on Manhattan's Upper East Side, leaping to the space of a few years into the life of a young man, but his ancestors had traveled in generations. The grandson of a tenant farmer and saloon keeper, he became a film writer and director, earning his first Academy Award nomination for co-writing the screenplay for "Bonnie and Clyde" and winning awards for both writing and directing "Kramer vs. Kramer."

But Waxahachie had retained a hold on Benton's imagination as well as his emotions, and two years ago — the year he turned 50 — the filmmaker began to work in earnest on his own tribute to his family's past. The result is "Places in the Heart," the critically acclaimed movie that stars Sally Field as Edna Spalding, a gentle young mother suddenly left to support her children alone when her husband, the town sheriff, is accidentally shot to death by a drunk at the railroad track one peaceful Sunday afternoon.

The film had its genesis nine years ago in a conversation with Arthur Penn, who directed "Bonnie and Clyde" and is a close friend of Benton's. "I was telling stories about Texas, and he said, 'You ought to put those stories down — they'd make a wonderful movie,'" Benton recalled.

Over the next few years, he did a good deal of research, primarily into bootlegging. "There was a time when I could have brewed my own liquor," Benton said with a smile.

But he grew increasingly dissatisfied with his initial version of the script. "I had become very worried, because I felt the bootlegging story had gotten too violent," Benton said. "So I remembered these stories about my



Director Benton: "Three people trying to survive."

great-grandmother and thought, 'Why don't I see if I can bring her in as a minor character?' And from the time I put her into the script, she began to push the bootleggers out."

She ended up outstaying her welcome, but it was not even the mere whiff of a bootlegger to "Places in the Heart." There is, however, much historical reality. As in that long-ago real life, the sheriff is shot by a young black man, who is killed and dragged through the streets by a wagon, then strung up from a tree. The panicky young widow, who doesn't even know how to write a check, learns to support her family by farming and by selling home-grown produce, preserves, eggs, milk and bread. As in life, she is taught to farm — and to cope — by a black hired hand named Moses.

In the movie, Moses is finally run out of town by the Ku Klux Klan, the local chapter of which consists of the town's most prominent citizens, who cannot forgive the black man for being a better cotton farmer and a smarter bus-

nessman than they are. However, the heightening of underlying racial attitudes for dramatic effect is one of the filmmaker's fictional contributions. "The real Moses was never driven out of town by the KKK," Benton noted. "He stayed and took care of my mother as she was growing up, which is how a lot of the stories came down to me."

Another of the film's major characters, a young blind man who comes to live on the farm as a boarder, is based on Benton's great-uncle, from whom the filmmaker borrowed mannerisms, habits and even his profession as one who supports himself by caring children and making brooms.

However, Benton has set his film during the hard Depression years of the mid-1930s, rather than in his great-grandmother's 19th century, "because I could remember that time very well."

Benton said he based much of the character of Edna Spalding on his wife of 20 years, Sally. But despite Sally Field's moving performance in the film's central role, the director doesn't see "Places" as Edna's movie.

"I think it's about all of them," he said. "I think what interested me was that her husband was taken away from her, one family unit destroyed — and it was replaced by three people trying to survive. They were the least likely people, in that time and place, to make it — a woman, a blind man, a black man. But they were a family. I think that we are family-making animals, but the families that result in marriages or children are not the only kind of family you make. You make professional families and other small groupings. This is the story of one of those little families. And then it's torn apart again, but it will survive that, too; they will find a way to get by."

When he finally decided to devote himself to the project, not only had he turned 50, but his mother had recently died. "With her death, we had to tell the house I grew up in," Benton said. "Something about the selling of that house was just awful to me. It was linked in some way to the absolute finality of my mother's death. It had been my mother's house, and my grandmother's house."

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REAL ESTATE

FOR SALE

USA RESIDENTIAL

FLORIDA, SINGLE HOME, 1/2 acre

CHINESE SELLERS close to Lake

DESPERATE: Desperate? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

ALCOHOLICS: Anonymous? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

FEELING LOW: Feeling low? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

CRISIS COUNSELING: Crisis counseling? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

PORTUGAL: Portugal? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

CATS: Cats? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

SUN, LIT, TIMES: Sun, lit, times? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

MOVING: Moving? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

ALLIED: Allied? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

PARIS: Paris? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.

MUNICH: Munich? We'll make a report to you. We'll make a report to you. We'll make a report to you. We'll make a report to you.